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# East Europe Report

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6 JANUARY 1987

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## BRIEFS

RURAL PROVISIONING SEEN INADEQUATE--In so-called private discussions held with officials of the Democratic Peasant Party of Germany (DBD), GDR farmers have raised critical issues concerning their living and working conditions. These discussions, which as yet have not been concluded, serve as preparation both for the DBD's 12th session and for the 13th GDR Agricultural Congress which are to take place next year. According to a report supplied by the Presidium of the DBD, the farmers wanted to know, for example, why the introduction of technology, the delivery of missing replacement parts, and the renovation of old stable facilities does not progress "more rapidly." Criticism was also expressed concerning the availability of supplies for village inhabitants. According to the report, the following question was raised: What is to be done in order to "overcome more rapidly the deficiencies in providing materials to the village population?" Regarding this issue, the Presidium of the DBD called upon the officials "to take note of all the suggestions, advice and criticism." At the same time the presidium demanded an "upgrading of the political-ideological work" with the farmers as well as "an offensive confrontation with all aspects of the ideology and politics of imperialism." The Democratic Peasant Party of Germany (DBD), which was established in 1948, numbers over 100,000 members. It sees its primary objective as lending support in accomplishing the agricultural policy of the SED and in motivating the farmers to "strengthen socialism." [Text] [West Berlin IWE TAGESDIENST in German No 149, 26 Sep 86 p 2] /8309

CSO: 2300/113

## CENTRALIZED-DECENTRALIZATION IN MANAGEMENT EXPLAINED

Prague TVORBA in Czech No 43, 1986 p 14

[Article by Vaclav Kluson: "Democratic Centralism and Management"]

[Text] The thesis that socialist planned management is centralized management, that the central agencies have jurisdiction over the most important decisions regarding the goals and means of socialist economic development and their planned coordination, appears to us to be so obvious that any kind of elaboration, consideration of consequences, and deepening of the thesis appears to us to be superfluous. Of course, in such complicated systems as, for example, the national economy, even centralized management represents a serious problem, particularly if we consider that no single agency in such a system can directly manage all for which it is responsible. It must, therefore, delegate a certain portion of the management and decision rights to lower units; in other words, the processes of centralization must be suitably augmented by processes of decentralization. Consequently, the Main Directions of Economic and Social Development in the CSSR for the Years 1986-1990 and the Outlook Through the Year 2000, which were approved by the 17th Congress of the CPCZ, call for a thorough application of democratic centralism which connects central management with initiative, creative activity, and a high degree of responsibility at all levels of management and calls for a tightening of state and planning discipline. However, at the same time, this document anticipates a strengthening in economic independence and jurisdiction on the part of lower units, anticipates their responsibility for satisfying social needs, for a growth in efficiency, expects an intensification in the cost-accounting (khozraschet) system, etc. In other words, once more a combination of management centralization and decentralization.

At this level of consideration problems generally do not occur. We do not encounter them until we begin to contemplate specific measures, either in support of centralization or decentralization; in other words, when we deal with the question of the degree of centralization. Then, the objection we frequently encounter at the formal level of consideration is that it is not possible to strengthen both centralization and decentralization and that the strengthening of one process cannot proceed without weakening the second. If we discuss the thesis regarding the real strengthening of central management, we should agree ahead of time as to what we understand by this strengthening. If we understand it as increasing the effectiveness and reliability of central

management then we most certainly must permit a certain measure of decentralization, that is to say, a certain measure of autonomous decisionmaking on the part of lower units in the management hierarchy. After all, every higher unit, in other words even the actual management center, is critically dependent upon the level of work performed by the lower unit, upon the level of its management, effectiveness, and efficiency. Every higher unit is most vulnerable with respect to this aspect. Every strong system, every intensively managed unit, lives on the maturity of its lower units and vice versa. This maturity naturally also emanates from a certain measure of relative independence, jurisdiction, and responsibility for its actions and for the decisions adopted. A mature unit in the management hierarchy must carry certain risks, must be responsible for the results of its previous decisions which were made within the framework of valid rules in the past.

### The Value of Centralization and Decentralization

The existing or required degree of centralization of planned management is evaluated quite differently not only by managers, planners, and leading economic workers, but also by the populace. The values of management centralization or decentralization occupy a highly differentiated position in the preferential value system of people. They are perceived with varying intensity with the extreme positions of both sets of values generally being considerably distant from each other. People working in central agencies generally evaluate the centralization of planned management higher than people working in enterprises or plants who are generally convinced, in contrast, that the degree of centralization, particularly of planning decisions, is unnecessarily high.

The value of centralization ties in directly with planning which--realized within the social yardstick--already, by definition, implies a certain level of centralization pertaining to planned decisions, in other words, even the centralization of planning itself. Planning, as a basic component of all successful management activity, with the aid of which the desired picture of the future pertaining to the object of the planning is formed, formulates the goals of development pertaining to this object (the national economy, a branch, an enterprise, a plant, etc.), and specifies the means by which these goals are to be attained. Every serious decision regarding the future development of any social unit must, therefore, be concentrated--centralized--in a specific management location within the management hierarchy. Otherwise, it would not be possible to identify a specific decisionmaker who, in the final analysis, must reap the harvest of his decisions and, thus, bear their unpleasant and unfavorable results. Without a certain degree of concentrating jurisdictions and responsibilities for the future of the managed unit, planning would become a mere forum for the free exchange of opinions regarding future development--a type of "future game" which would, naturally, not be able to influence the conduct of the subjects of the planning in the future in a desirable manner. This would primarily be so because without the concentration of decisionmaking and of fundamental questions such as those represented by the goals of development, for example, orientation points for our current activities and for our conduct in the future would not be created.

In other words, a certain degree of centralization emanates from planning at all times, without regard to the level within the management hierarchy that is involved. Just as all those who work in a plant or enterprise cannot make decisions regarding its development, so not all citizens can make direct decisions regarding the development of society. Even though it is precisely during decisions involving the social economic development of society that the preferences of members of that society should not only be uncovered by the most varied methods but also taken into account, specific decisions must always be vested in responsible agencies of the societal management center. If we, thus, speak of social management, of planned management of socioeconomic development, etc., we cannot, at the same time, be thinking of a fully decentralized system. A system which is centralized to a certain degree is always involved.

Naturally, even a system for centralized planning can be quite decentralized. Experiences actually indicate that the path to effective and efficiently oriented complex social systems actually leads via a considerably high degree of autonomy for mature and socially fully responsible lower units. If decisions regarding questions which connect portions of the system into an organic whole are centralized, the other decisions can be decentralized under certain additional prerequisites, or, to put it another way, decentralization can be considerably differentiated, not only based on the character of the problem under decision but also according to the maturity of the specific unit or the specific decisionmaker, and according to the long-term demonstrated degree of social responsibility on the part of a specific organization.

If, in a specific case, we evaluate the centralization of planned management highly, or, in contrast, its decentralization, this does not mean by any means that we are able to realize one or the other case consistently in practice. The possibilities of a high degree of centralization particularly encounter the limited capacity of the management center to produce the desired variety of planning and management actions which, as a general rule, are not commensurate to the variety of defects and changes impacting upon the object of management from its surroundings. Similarly, the realization of the value of decentralization encounters barriers of effectivity in terms of specific regulators which must tie in with planning and which form an inseparable part of planned management. For example, in a specific case, if we cannot rely on the effectivity and reliability of the regulatory function of prices and of other economic mechanisms because, say, prices are stable for a long period (although conditions for this have not been created) and because they do not reflect socially useful production--then the decentralization of planning and planned management in general are very clearly and narrowly limited. In fact, it can even be said, with a certain degree of exaggeration, that the absence of rational prices and reliable economic regulators obviates a high degree of centralization of planned management. Without rational prices partial decisions cannot be coordinated in any other way except through the relatively high centralization of planned management. On the other hand, with the growing reliability of prices and economic regulators, the potential area for decentralization expands and the relative economic independence of planned management units can be increased.



As is the case with evaluations always, the evaluation of centralization and decentralization is tied to specific individuals having specific life experiences, tied to specific conditions in which they live, and, consequently, even the applied degree of centralization or decentralization of the planned management system during a specific period is not only the result of the development of production forces and production relationships and developmental laws but also of value attitudes adopted by the conceivers of the system of planned management and by a broad circle of workers who are directly involved.

While the questions are the subject of much consideration, discussion, and writing, many of them, nevertheless, remain unanswered, particularly because not all, by far, are clearly formulated and put. The centralization of management is frequently connected with the utilization of, primarily, so-called direct instruments of management and regulatory incursions. The direct instruments tend to manifest the power of the management agency which, thus, becomes obvious and clearly visible to everyone at first glance. They are generally accompanied by a high quantity of detailed regulations dealing with the conduct of the unit being managed, to the extent possible covering every situation. Such an approach to centralization emanates, among others, from the conviction that the units being managed are purely executive units which are, by their very nature, "disobedient," are socially inadequately responsible and disciplined, and that each of their steps must be regulated in detail in the present and in the immediate future.

In this way, the number of direct incursions and detailed regulations, directives, and various methodologies can constantly grow but, concomitantly, the order, and the organization of the system are lowered, the space for initiative and creative work is limited and the relative independence of lowering it can be curtailed to an intolerably low level. In such a case, the management center exercises constantly more "supervision," comes up with fewer concepts, and, consequently, for the most part, is not even capable of realizing the fundamental advantages of centralized management. It generally falls short in the fulfillment of its basic strategic functions, particularly also because its management capacity is consumed by operational activities and by management incursions. The fundamental defect in such a possibly deformed centralized form of management is underevaluation and the systematic failure to utilize the management capabilities of lower links, lower units of worker collectives and individual workers, and the underestimation of the potential possibilities inherent in indirect regulators which, in combination with actual effective and reliable centralization, are capable of creating a relatively effective management, and, in other words, even a planning system. One should never forget that power can be great without always being visible....

#### Application of General Rules

If we contemplate the possible ways and means of increasing the effectivity and reliability of central management and of applying the principle of centralization to it, we should not forget that the fundamental, key tasks of the management center include not only the adoption of long-term strategic decisions and the utilization of so-called direct instruments, but also the drafting of general regulations which govern the conduct of units at all levels of

management. These general rules express not only certain general prohibitions of certain types of conduct but, at the same time, create conditions for the richer conduct on the part of lower units and, thus, for the desirable growth in the variety of management actions of the entire system which would more nearly correspond to its social environment. An example of such general rules is a law, a standard, a value.

The fundamental tasks of each center undoubtedly include management of a lower unit by--among others--also assigning limitations which are formulated in terms of the most general rules and standards. The more complicated a given system is, the more general must be the rules applied to its management. Their advantage is that they thus create the necessary and desired room for initiative, for the creative activity on the part of subordinate units. And precisely this is also a task assigned to us by the Main Directions: "...to systematically apply democratic centralism connecting the unity of centralized management with initiative, creative activity, and a high degree of responsibility at all levels in the economy." In other words, it is clear that even the path toward perfecting the system of planned management must, among others, also lead to the removal of one of its weakest links, which is represented by the inconsistent and inadequate application of general rules and criteria by organs of the management center.

5911

CSO: 2400/73

## COMMENTARY URGES KEEPING IN STEP WITH WORLD

Prague HOSPODARSKE NOVINY in Czech No 46, 1986 p 4

[Text] We all agree that the application of research and development results in production is the essential element of economic growth, increased efficiency, and reduced resource intensiveness of production. Stated in extreme form, the world can survive without our scientific and technological development but our economy cannot survive without keeping step with the developments of world science and technology. It is our economy which must be able to adjust.

If then, we are making efforts at solving problems of our national economy, we must also be able to maximize our ability to absorb the results of new scientific and technological developments in the world. One of their basic characteristics, however, is unevenness. New technologies are frequently born quite unexpectedly and bring about a quantum jump in efficiency and only then they ripen. During that period they show only a slow growth of efficiency and after reaching the limits of their potential (maturity), they stagnate with practically no further improvements in productivity.

If we plan microeconomic developments, that is to say productivity increases for each single enterprise for five years ahead, it is the same as to insist that our economists can determine five years in advance how the world research and development will advance in all production sectors. I am convinced that even from actually ensuring a balanced growth in average parameters that would be valid for the totality, i.e. from the macroeconomic standpoint, it does not at all follow that a balanced growth in adequate parameters of individual elements of this whole would result. How does one evaluate the producers? According to how they manage to keep step, in their sector, with the rest of the world.

/7358

CSO: 2400/83

## LE MONDE COMMENTARY ON DEBT RESCHEDULING

Paris LE MONDE in French 31 Oct 86 p 36

[Article by Francoise Crouigneau: "Poland Asks for Further Debt Rescheduling"]

[Text] The Polish debt file is getting heavier. Minister of Finance Bazyli Samojlik implicitly recognized the fact at a press conference on 28 October in Warsaw when he indicated that the disappointing results of the country's foreign accounts would make it possible to repay "a little less than \$2 billion" of the \$3 billion due this year. At a Paris Club meeting attended by the country's public creditors last 24 October, Poland therefore asked for a rescheduling of part of the payments initially called for.

The reply, like the Polish requests, was imprecise: so long as Poland failed to give proof of its good intentions by presenting clear requests based on a financial recovery plan, the Paris Club could not show a flexibility to which it was not opposed, at least in principle. But as long as the public creditors make no move, Warsaw will continue to respect its commitments only to private banks. A dangerous escalation.

#### The Trap

Although Poland is slowly managing to break out of its diplomatic isolation from the West, it continues to struggle in an economic and financial trap from which its membership in the International Monetary Fund will not suffice to extract it. Warsaw's creditors are not the only ones to make this observation. They even have every reason a priori to wait with a certain amount of impatience for the allocation of an initial loan from the IMF to give them the assurance of a minimum level of oversight over Polish management.

An oversight strengthened in the longer term by the operations that the World Bank also is preparing in Poland to try to reorganize what can be reorganized. But a real disenchantment is apparent. It seems very unlikely that the discussions prior to the drafting of a letter of intent will reach a settlement quickly, making it possible to release an IMF loan for \$300 million. The most optimistic see the discussions concluding around spring 1987 at the earliest. And time continues to go by without much improvement, the opposite in fact, in a country that now has accumulated a debt of \$33.4 billion with the West.

Everyone tried to play for time. The private banks accepted in principle an extension of the 1986-1987 repayment schedule affecting loans already rescheduled from 1981-1982 (LE MONDE of 14 June). The fact that relations were never broken off with Warsaw, even during the "state of siege" period, gives them real advantages compared with the public creditors, and the Polish foreign exchange reserves deposited with them constitute a serious means of applying pressure. A banker acknowledged that the standard application of the repayment terms would have operated in favor of a more substantial reduction in the rates with which the rescheduled debts were saddled.

But, while awaiting the IMF "umbrella," the mood is hardly one of indulgence. "The system is completely locked. In order to continue receiving renewable short-term loans, the Poles are paying down to the last cent, without any promise of fresh funds."

It is a delicate situation for the Western governments who hold two thirds of the loans to Warsaw and once again are seeing delays in payments accumulating on guaranteed debts which are regularly brought up for discussion in the Paris club. The amnesty extended to political prisoners argues in favor of a degree of flexibility.

The United States cannot have been indifferent to the recent appeal from Lech Walesa, the leader of the workers' movement, to lift the last restrictions imposed by Washington, and the idea of once again offering Poland most favored nation status will eventually win through. From there to extending again the payment schedule that the Poles had firmly committed themselves to honor after hard negotiations last spring, there is more than a step, and the lending governments are asking Warsaw for a specific plan to liquidate backpayments before they will consider revising the last agreement approved but never formally signed.

#### A Real Headache

The deterioration of the Polish economic situation makes even more complex this game in which everyone wonders how far it can go and especially how to maintain a minimum of means of pressure on the other. The country's revenues in hard currency continue to decline. Exports to the West brought in a trade surplus of \$493 million during the first 8 months of 1986, compared with \$608 million a year earlier, and the hope of reaching a positive level in the current \$1.6 billion balance of payments for the year as a whole has disappeared.

The drop in prices for coal combined with a 15 percent decline in production, and the "effects of Chernobyl" on sales of agricultural products overseas particularly explain this phenomenon. Even if emigre transfers and services provide a surplus of \$600 million from the "invisible people," Poland will not in any case be able to find sufficient means to honor the service on the debt, estimated at \$3 billion by Warsaw. There will no doubt be a shortfall of more than \$1 billion.

The profound reasons for the difficulty in renewing a degree of vigor in exports do not encourage optimism, with or without loans from the IMF and the

World Bank. "The production mechanism consumes too much in relation to what it is able to produce: too much in primary products, too much energy, too much labor, and too much foreign currency." This summary of a study that appeared in the COURRIER DES PAYS DE L'EST is significant for a country that has never, moreover, resolved an endemic imbalance between supply and demand.

A real headache, considering the obsolescence of industrial equipment, and also the "lack of a concept of profitability" criticized by all western industrialists working in Poland. It is not a case of death. The success of the small businesses created as part of the 1982 economic reform movement with foreign capital is there to prove it. The Polonijna, a name inspired by that of the Polish diaspora, number approximately 600 businesses that have specialized in consumer goods and textiles, making it possible to meet the most critical shortages and providing a not insignificant reserve for export. Some believe that they constitute 0.5 percent of the Polish gross domestic product.

This example is a marginal one, and has created wage disparities too great for it to be developed. Moreover, it is much more difficult today since it takes 4 years to establish them. But the implementation of new management methods made it possible to prove that the Poles could be motivated.

An absurd example? Perhaps. But even in opposition circles voices are urging that the people should not be content with demanding wage increases and stability in prices, which would make the country lose credibility. The problem is more profound and more sensitive than that. The world that separates the industrial complexes, these "cathedrals in the desert" built in the 1970's by the Gierek team, and the Polonijna only illustrates the immensity of the task that awaits the Polish leaders, the experts from international organizations, and Warsaw's Western creditors.

9824

CSO: 3619/13

## SERBIAN PRODUCTION PLANT TO STRESS QUALITY

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 3 Oct 86 p 2

[Interview with Mihailo Crnobrnja, Director of Serbia's Republic Institute for Social Planning, by Bozidar Djurovic: "A Step Forward in Depth"]

[Text] Earlier than in the other republics, there have been considerable discussions in Serbia about socioeconomic development next year; the Executive Council of this republic approved a Draft Resolution and the accompanying documents in mid-September. It is interesting to hear how planners assess the overall development possibilities, the most rigid and most serious obstacles to turning around unfavorable business trends, and the resources that we must primarily rely upon. We addressed these questions to Dr Mihailo Crnobrnja, the director of Serbia's Republic Institute for Social Planning.

[Question] What is the basic theme of the Resolution on the Socioeconomic Development of Serbia next year?

[Answer] We are still fighting on two "fronts." Specifically, since the main solutions in the Long-Term Economic Stabilization Program have not yet been put into practice, and some others have been watered down or distorted through their introduction, we have been forced to try at the same time to change the economic-institutional framework, and through the implementation of current economic policy, to influence the development commitments, i.e., the fulfillment of the established development path. That is the struggle in two areas.

The basic theme of the resolution is strengthening the economy's financial position and solving the problem of unemployment more quickly. This orientation is derived from the Social Plan for the 1986-1990 period and from a rational approach to the selection of the most pressing problems with which we as a society are faced. Naturally, this orientation also relies to a considerable extent upon the resolution, i.e., upon the measures that will be undertaken at the federal level.

#### Gradually Abandoning Some of the Priorities

As for the commitments themselves, they are not new, of course, and have already been present for a long time, in one way or another. One may say,

however, that it is a fairly new approach to the realization of these commitments, and a new way in which we want to improve the economy's financial position and reduce unemployment.

[Question] What is the essence of that new approach in drafting the plan?

[Answer] We see the strengthening of the economy's financial position as being brought about primarily by restructuring production, gradually abandoning some branches and activities that were considered priorities during the last two planning periods, but turned out to make a major contribution to the present serious economic situation. Then there will also be a consolidation of the economy, not the kind traditionally understood as providing financial injections, but rather a thorough reexamination of programs, production orientations, the technological base, and even the financial prerequisites for recovery. In addition to this, strengthening the financial position also implies curbing all forms of nonproductive expenditure, from general and joint expenditure to personal incomes, which during the past year completely lost any relation with economic results, with the productivity of labor.

With the simultaneous operation of these three areas of action, we believe that the economic position of the economy will improve, not just in terms of its share in the national income, but also "in depth," i.e., qualitatively, that it will not only be better, but also more substantive, more stable, and less burdened by losses and poor business performance.

We intend to deal more seriously with employment, which has already been one of the biggest problems in Serbia for a long time now (not just economically, but also politically, socially, and even psychologically), primarily through development policy, i.e., investment policy, which will take into account a labor-intensive and not a capital-intensive approach. In this regard, we are thinking of a labor-intensive approach with a higher content of skilled and highly skilled labor, and not semi-skilled labor. Instead of opening up new jobs that cost several billion and even tens of billions of dinars apiece, we will aim at a larger number of cheaper jobs in industries that can at the same time compete in the world market.

#### Narrow Maneuvering Room

[Question] Which are the hardest, or rather the most difficult, problems in implementing the plan for the republic's socioeconomic development?

[Answer] The hardest problem, of course, is the strong interference by politics in economics. Economic efficiency and expediency are still too easily becoming the victims of political decisions, whether this is done to protect an installation, a region, or even "priority branches" at the republic level.

Another major problem is established rights, which are very difficult to change and correct, while it is clear to everyone that without this there can be no progress toward higher-quality operation. It is just that everyone starts with the question, "Why should it be me, why should it be my rights



that are sacrificed to stabilization and the rationalization of business conditions?"

The third problem is the narrow maneuvering room in which we want to turn things around. Just as a large car cannot make a U-turn in a small street, the desired turnabout in business cannot be achieved through a one-year resolution, especially under conditions of a low capital formation and replacement capability. The main thing for economic policy in this maneuver, however, is to act so as to accelerate this process, without "crashing the car."

#### What the Republic Cannot Do by Itself

[Question] To what extent are the federal government's measures influencing planners' views of the development of this republic in 1986?

[Answer] The federal government's measures are not yet known. Some of them have only been indicated through the so-called "September package." We still do not know what will come out of that and become a reality. What can and must be done at the federal level, since it is completely impossible at the level of the republic, is strengthening and intensifying the orientation toward economic parameters and market operation.

[Question] You mentioned strengthening the quality of factors in business operation as a goal. To what extent will their strengthening be adapted to the goals of stabilization?

[Answer] The Federal Executive Council should maintain the announced course toward real parameters for business operation, because it is only in this way that all of the dubious points can be discovered, i.e., what is unproductive in the economic sense, what is keeping our feet tied so that we cannot make any major step forward. Since the basic orientation of our development document is precisely toward higher-quality business operation, the FEC's measures should reduce administration and regulation, and stimulate successful business operation.

We hope that if it is not dominant, it will at least increase. Instead of fixing the "classic priorities" according to a classification of industries, we have decided that the first priority is higher-quality business operation, whether in regard to machine-building, or even clothing, transportation, and agriculture.

Perhaps this sounds funny, but it is the reality that is here, and which is ours. In fact, it would be logical to assume that the economy, by itself and for itself, is interested in higher-quality business operation--greater economy, profitability, and productivity, a faster turnover of resources--but this definition is completely distorted in our situation, in which politics and politicians decide what is economical and profitable. Accordingly, this sort of orientation represents a defense of the economy, especially a healthy and stable economy, which is the only thing that can pull us ahead, from excessive intervention by noneconomic factors.

## A Shift Toward Quality

The growth rates that we stipulated in the resolution--4.2 percent for the social product, 5 for industry, 4 for agriculture, 7 for exports, 3 for employment, and 4.6 for investments--are the result of an assumption that there will be a positive movement toward quality in business operation. If these attempts do not bear fruit, it will not be possible to achieve the planned growth rates either. But the reverse is also true--if major results were to be achieved in this respect, and there is room and potential for this, the growth rates for all the aggregates of supply could also be larger, which would have a very concrete effect upon the stabilization of the development path and the reduction of inflation.

[Question] In the sector of the pooling of labor and resources, there have not been any evident turnabouts. Will it increase in 1987?

[Answer] I hope so, but this will depend to a great extent upon the stability or instability of other business conditions. This year we have noted a positive trend of a growth of pooled funds within the total funds designated for investments (from 11.8 percent in 1985 to 15.4 percent in 1986). It is particularly pleasing that there has been an increase in the percentage of self-management pooled funds (from 6.9 percent to 12.1 percent), and there has been a substantial reduction in the percentage of funds pooled by law (from 4.1 to 1.4 percent). We are still, however, speaking of a phenomenon which, from the standpoint of the income earned by the economy, is measured somewhere between 1 and 2 percent.

9909

CSO: 2800/20

## ELECTRIC POWER STATUS, OUTLOOK IN SERBIA DISCUSSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4-6 Oct 86 p 11

[Article by Radmila Jovanovic: "Cheap Electricity Builds Nuclear Power Plants"]

[Text] "Such low prices for electricity encourage the separation of republics and provinces and the building of nuclear power plants," it was stated at a recently held conference at the Yugoslav Economic Chamber.

The idea cited was expressed by Radoje Stefanovic, the president of the Serbian Economic Chamber. It sounds paradoxical, to say the least. Yugoslavia is poor in uranium reserves, and does not have the technology to convert it into fuel. It would have to import everything for the construction of nuclear power plants, but it does not even have the foreign exchange. The price of a kilowatt-hour from our sole nuclear power plant, with all the burdens from its excessively expensive construction, is twice as high as from hydroelectric and thermoelectric plants, and its construction was two or three times more expensive than theirs.

## Appeal of Experience

Serbia is the largest producer of electric power--over 40 percent of the country's annual production. It sells a quarter of its own production to other republics and provinces, and with the exception of Kosovo, it is not yet suffering from a shortage of energy raw materials. Along with all of this, Serbia is a participant in the solicitation of bids for the construction of a series of nuclear power plants.

Electricity that is considerably more expensive than at present would actually bring Serbia considerable revenues, and bring its electrical industry even greater financial strength. On this occasion as well, however, just as it did last winter, during the coordination of the country's medium-term development plan, Serbia, through Stefanovic, expressed what is in the interest of Serbia's electrical industry and of the entire country. All of the other electrical industries have the same position and demand for an economic price for electricity; it is just that the other republics and provinces are not expressing their desire as resolutely and categorically as Serbia did last year, although many of them are now already on the edge of a long-term

shortage of electricity. Usually a cost-accounting interest is dominant in many of them.

Since the war, the price of electricity has never risen as frequently as it did this year--three times. It changed at such a rapid pace after the acceptance of the demand by Serbia's delegation to the SFRY Assembly that a parity relationship in prices in the energy industry be introduced as quickly as possible, and that prices for electricity and coal be brought to an economic level. A compromise decision was reached at that time that this would be achieved during the next three years--by the end of 1988, which means that the disparity would be reduced by a third each year. It was calculated that the price of electricity would have to be tripled during those three years in order to reach a normal level.

The three price increases to date (17 percent twice, plus one of about 40 percent), and this one that was recently announced, again by about 40 percent, should have been even higher than planned. The price of electricity will more than double this year, through this increased cost which results for the final consumer. When one takes into account the facts that the price increases have been implemented gradually, that all together they will not cover consumption for this entire year, and that inflation has also eaten up a considerable part of this, then the assertion of representatives of the electrical industry also becomes clear--that a third of the planned disparity will still not be eliminated this year. This is moreover confirmed by the losses incurred during the first half of the year by all of the electrical industry organizations, except in Serbia, which amounted to a total of about 29 billion dinars. Viewed in this light, Stefanovic's statement should be understood as an appeal from the Serbian economy, which knows what it means to have resources and sell them for a trifle.

So far it is in Serbia that the most electric power plants have been built with joint capital. Such installations are still being built there (the Drmno TE [thermoelectric power plant]). Kosovo, however, has the most room and energy reserves for the construction of joint central stations. How can anyone be forced to expend his own reserves for the production of electricity for someone else, when the electricity does not have an economic price, and when the present price does not even guarantee breaking even, not to mention profit and extra income, which would be natural in the case of a product in short supply.

#### Pure Economic Logic and Necessity

Everyone was surprised last winter, during the coordination of the still uncoordinated plan for the development of the Yugoslav electrical industry, when Sadik Vlasaliu, the president of the Elektrokosovo PO SOUR, stated that an agreement on the location of the construction of joint installations in the province, which is very rich in energy, could not be reached until the end of 1988 at the earliest. His statement was interpreted in various ways, and even as resistance to cooperation. Basically, it is pure economic logic.

If an economic price for electricity is only to be achieved by the end of 1988, if this is not even being achieved now, and since an agreement has still

not been reached on what should go into the price for a jointly produced kilowatt-hour, then it is natural that cooperation on electricity should be postponed until economic relations prevail. Electricity from Kosovo coal is the cheapest, by the nature of its extraction, but is not even close to a price level that would ensure protection of people and the environment and the recultivation of what has been destroyed through its production. With the upcoming price increase, a kilowatt-hour in Yugoslavia will cost about 40 dinars. This time Elektrokosovo has decided to increase the price of electricity more than anyone else--by about 50 percent, but even this will not permit them to develop using their own resources, nor will the latest price increase in the electrical industries inspire the activation of Kosovo's energy resources for them. Electrical industries that produce electricity for others on the basis of a joint investment as a rule also have a lower price. In such a situation, it is difficult to expect someone to yield his own resources to someone else. The solution is compulsion or economic incentives because the republics and provinces have a constitutionally guaranteed right of ownership over their resources.

The lack of interest on the part of the possessors of energy resources in using them jointly is forcing the republics and provinces that do not have them to eliminate the shortage of electricity with nuclear power plants, which are too expensive and are risky for health, economic, and even political reasons. There is nothing simpler than reaching an agreement on incurring debt abroad. A federal law on obtaining foreign credits and on the obligation of the borrowers to repay them has not yet been passed.

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## SERBIAN-SLOVENIAN ECONOMIC COOPERATION

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 17 Nov 86 pp 13-14

[Article by M.K.: "Points on Which Serbia and Slovenia Come Together"]

[Text] The main line of confrontation with the resolution offered by the FEC is that in Slovenia they feel that economic policy next year must emphasize the market and economic categories. The planning documents should also define precisely the conditions for development of small business, the tourist industry, and agriculture, since these are the only sectors in which increased employment is possible. It would also be good to deal with a number of other problems, from selection in the choice of export programs which will be given support to abolishing restrictions on imports of equipment (according to certain figures about 80 percent of the equipment in Slovenia is outdated, and in some organizations, for example, "TOMOS," the figure is all of 90 percent).

Put most briefly, those are the positions on current issues which the delegation from the Economic Chamber of Slovenia presented in talks with representatives of the Economic Chamber of Serbia. Conceived as a discussion of joint projects which might be undertaken in the foreseeable future, these talks could not avoid the kind of "governmental" introduction we have described, since the delegation from Serbia also presented its view of the situation. Reproaches of the federal government for excessive administrative intervention, especially as a method of dealing with certain vital areas (prices, for example) were dominant in it as well. As for the financial consolidation of the economy, Andrej Miklavcic, deputy chairman of the Economic Chamber of Slovenia, emphasized that Slovenia was explicitly opposed to the joint-and-several liability method of dealing with the fate of mistaken and unsuccessful projects by socializing losses. In his opinion these are dangerous precedents, and the failures should be dealt with where they occurred, regardless of where that is. Reference was made to the example of the refinery at Lendava, which has been sold. Marko Bulc, chairman of the Economic Chamber of Slovenia, sees a need for a selective approach to solving the problems of the underdeveloped in that the prime sources of the unfavorable situation in those regions should first be established, and only then capital pooled, but under two conditions--that this be done directly, without the mediation of sociopolitical communities, and that this be done only by those organizations who find a direct economic interest of their own in that pooling.

In the second part of the meeting (referred to even officially as "discussion of bilateral cooperation") the conversation concerned projects in which organizations of the two republics have a direct interest. Although there was not a single representative of what is referred to as "the economy," it is obvious that the leaders from the chambers are well informed even without them. Agreement was reached, then, on a meeting of business executives working on the project "Yugo-America" at the end of the month, when the delegation from "Zastava" will come to Slovenia. The Slovenian program embraces visits to all collectives in which there is a desire to talk with the "Zastava" delegation--for the present it is known that they will be talking with "IMV," "Cimos" (agreement has been reached on the export of 10,000 "Yugo" convertibles), "TAM" (a joint venture with "Zastava" to manufacture trucks), "Unior" (castings for the "Yugo"), and so on. At the moment about 40 Slovenian organizations are directly or indirectly involved in the "Yugo" project, and there are prospects for "Sava" (tires), "Helios" (paint), and others to become involved.

Another area in which development plans are similar and where there are opportunities to establish cooperation is electronics, microelectronics, and the electrical products industry as a whole. Serbia, that is, as it was put by Radoje Stefanovic, chairman of the chamber, was a bit hasty and too restricted in defining its priorities in development to be only energy and food. There is an increasingly clear desire and assessment that capacity also exists to include electronics and microelectronics, in which they are counting on organizations such as "Ivo Lola Ribar," "Elektronska Industrija," and the "Boris Kidric" and "Mihajlo Pupin" Institutes. Since the assessment is that Serbia lacks about 1,000 electrical engineers, the decision has been made in the republic to start by erecting a new building for the School of Electrical Engineering and then create the conditions for a higher-quality transfer of knowledge, for coordination of projects, and commitment of a portion of resources to financing projects in electronics (it is assumed that about 10 billion dinars a year could be set aside for those purposes, which is only a portion of the resources now being used to finance exports).

In Slovenia they have also been thinking about electronics as one of the opportunities, especially about robotics and computer technology. In that context note should be taken of the news item that for the first time collaboration has been established between "Iskra" and "Gorenje" in this field ("Iskra-Delta" is already doing some work for "Gorenje," which, according to Miklavcic, has never happened before). It has been established, and this was known even before, that in many industries the production structure is the same in Serbia and Slovenia--this applies to the wood and furniture industry (each has two organizations in the trade sector and a great many manufacturing organizations), the shoe industry, the pulp and paper industry, and air transportation. In Slovenia, however, they are not thinking of consolidating their competing firms into monstrous systems, since they feel that competition is stimulative, and they take the same line in treating those who come from other republics.

7045

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## IMPLICATIONS OF ERRONEOUS ACCOUNTING SYSTEM DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 10 Nov 86 pp 19-21

[Article by Tomislav Dumezic: "Balancing Out Failures"]

[Text] Many of the differing goals (the realism of accounting and adaptation of the accounting system to the conditions of the high rate of inflation, preserving the integrity of social resources and halting the siphoning off of property into income and consumption, the anti-inflationary impact and simplification of accounting) which the proponents of the draft law on gross income and income set themselves obviously confused even the authors themselves. This is demonstrated by the final result of their effort--the text of the draft law--which, when things are looked at in a dynamic context, does not meet any of these requirements.

Before we go on to an analysis of the particular solutions proposed, we will recall some of the basic shortcomings of the present accounting system. We will be neglecting certain issues which are not so essential (for example, whether interest on credit should be a cost or a part of income, the source of funds to cover the cost of hot meals, the cost of transporting workers to and from work, the question of whether the contribution to the work community of the joint technical services is a part of the income of the base organization or its operating cost), since they do not have that much influence on the realism of the income statement, nor is this the way in which a portion of the property of OUR's is siphoned off into current income and consumption. These shortcomings are, of course, not derived from the accounting system, but from the totality of arrangements in the economic system. But the accounting system itself is not correcting even those oversights which might have been corrected.

The income statement is unrealistic. It does not show the real financial results of the business operation of the enterprise and the economy as a whole because as a rule it underestimates costs, while work in process and inventories of semifinished products, parts, and finished products are overestimated. Depreciation is underestimated because of the unrealistically low book value of capital assets and the low depreciation rates. Nor does the bookkeeping indicate anywhere the cost of the devaluation of "own" capital used to finance current business operation.



The accounting system is contributing to the melting away of the property of economic organizations because of the impact of inflation. This applies exclusively to that portion of the business fund used to finance regular business operation (purchasing of raw materials and supplies and parts, to finance work in process and inventories of finished products).... The following example shows to what extent the fixed assets of the economy are melting away. At the beginning of the year the economy possessed about 1,500 billion dinars to finance current business operation. Since inflation this year is higher than 90 percent, it follows that the economy's loss on those assets which has not been indicated approximates 1,400 billion dinars. The consequence is an increased demand for short-term credits, a demand that is met mostly from primary note issue of the National Bank through what are called the selective credits for particular purposes. Thus the National Bank of Yugoslavia is realizing immense illegal revenues on the basis of interest on those credits, and in this way interest is being turned into a bad tax instrument. It follows that organizations which do not have money, and that means a majority of industrial and agricultural organizations, are carrying the highest burden of the interest on foreign credits (which they have not used) and also to stimulate exports.

This diminishment of the value of working capital also makes it possible to realize income from capital in certain organizations. This is not a question of realizing income from capital in the conventional sense, since the employees are not living on income from property, but on the property itself. The present accounting system is stimulating a growth of inventories. The figures in quarterly, semiannual, and year-end statements of the economy show how much they are growing. Their growth is markedly large this year as well, when total consumption has increased considerably. As of 30 June of this year inventories amounted to approximately 8,500 billion dinars. This growth of inventories is a consequence of the erroneous features of the system which orient employees not toward the greatest optimality and efficiency in the conduct of business, not toward the preservation and augmentation of the value of property, but exclusively toward showing in the bookkeeping the most favorable possible results in current business operation. And the legislation on revaluation of working capital which is now in effect contributes to the unrealistic growth of the value of inventories and to the growth of inflation in coming periods.

#### What Does the FEC Want?

Regardless of the great number of goals and principles which have been set down, one requirement has been dominant--to set up a method of accounting gross income and income for these inflationary conditions that on the whole, at the level of Yugoslavia, will safeguard preservation of the real value of social property. Certainly this is very important. In the absence of economic interests of the users of resources to preserve and augment its value, someone has to do it, if only through the accounting system (when the interest and courage are lacking to put the self-management system in optimum operational terms); in the absence of a market where the property of every enterprise would be evaluated from day to day depending on the yield it brings, valuation coefficients may be prescribed. But what has been proposed nevertheless cannot function.

The essence of all the changes lies in the reassessments in the treatment of interest and exchange rate differences, which is contained in Article 28 of the draft, whose first paragraph reads: "The basic organization shall adjust the value of assets indicated in bookkeeping at the end of the accounting period to market prices." This formulation requires two explanations: first, is there a justification for recording inventories of finished products at market prices (or at cost prices), and how is it possible to ascertain market prices for work in process, and second, what are those market prices. Their proponent has provided a clear definition: if it is a question of capital assets, then their purchase price multiplied by uniform coefficients for various groups of capital assets corresponding to the price index of the particular types (groups) of assets; in the case of working capital (raw materials, supplies, stock inventory, containers, work in process, and finished products) this is the aggregate retail price index (alternative solution: the index of producer prices of industrial products). Probably no one has any idea what relation this has to specific market prices of particular machines, vehicles, raw materials, supplies, finished products, etc.

The subsequent paragraphs of the same article elaborate the revaluation procedure and define the concept of revaluation revenues and revaluation expenditures. It is provided that the result of the revaluation of assets, together with the revaluation revenues, is to be used to cover the revaluation expenditures, while the remainder (positive balance) is carried over to the end of the business year in which the business fund is being used. Should that remainder be smaller than the result of revaluation of permanent sources of business assets, then the difference is made up from the gross income of the current period, and this is treated as another operating cost.

An effective bookkeeping mechanism has been conceived, then, to protect the real value of all social property. The only problem is that this mechanism cannot function, not only because the drastic drop in personal incomes of those employed is not possible, but also because the solutions proposed are both unreasonable and unfair. Long-term lendings, which are at least twice as great as the uncommitted portion of the business fund which the economy possesses to finance current business operation, are also an integral part of the business fund. This mainly has to do with resources taken away from the economy on the basis of legislation for investment in the Federal Fund for the Credit Financing of the Faster Development of the Underdeveloped Republics and Kosovo, for investment in republic and provincial funds for credit financing of the faster development of opstinas, for self-managed communities of interest in physical production, for development of particular activities, for investment in banks, and so on. It is clear that these lendings are not subject to revaluation, just as it is clear that the enterprise cannot obtain value from them in its own income. It follows that it would be much more beneficial for every enterprise if those assets had as a matter of formal law been taken away in the form of a tax or the like, since in that case they would not be an integral part of their business fund.

Interest and exchange rate differences have been given a consistent treatment. For instance, interest paid up to the level of the rate of inflation is neither a business expense, nor a portion of the income of OUR's, but a revaluation expenditure, and interest collected is not a revenue, but a revaluation

revenue. Negative and positive exchange rate differences have been given the same treatment. This division of interest between the portion up to the level of the rate of inflation and the portion over the rate of inflation is probably an original solution of the proponents when it comes to practical book-keeping solutions. Adopting a similar logic, perhaps we might conclude that the revenue from a commodity sold is not a revenue up to the level of the production costs, but a revaluation revenue, and so on.

Guided by a desire for clear-cut solutions whose implementation could be monitored, the proponents have offered a text which viewed as a whole cannot be implemented, since it would have only adverse consequences. According to the proposal everything would be indexed, both fixed assets and working capital in physical form; the only thing that would not be indexed is what in the present situation might perhaps be supported by valid arguments--the personal incomes of employed persons.

#### The Balance Sheet--Far From Reality

Although one principle of the sponsors was to achieve accuracy in the income statement and the financial statement, the effects are precisely the opposite. There is no question that the value of fixed capital indicated in bookkeeping has been considerably underestimated, that depreciation rates have been low, and that the calculated depreciation is insufficient to maintain what is referred to as simple reproduction. That accounts for the proposed application of revaluation coefficients for eight groups of capital assets. The application of uniform coefficients for capital assets placed in any one group of capital assets (all the equipment has been placed in one group) undoubtedly yields completely wrong results. The price trend differs for each specific capital asset, and prices have been falling markedly on many up-to-date machines, pieces of apparatus, and communication equipment. That is why book prices arrived at in this way differ essentially from market prices.

The essential thing for every enterprise is to cover replacement of physically worn-out or obsolescent capital assets by other corresponding assets which as a rule are more up-to-date and efficient. It follows that the essential thing is not at all that every enterprise furnish through depreciation precisely as many real dinars as it paid for that asset; what it needs is to furnish as much money as is necessary to buy another new asset which as a rule is more up-to-date, but not necessarily more expensive.

It is likely that the system of revaluation of capital assets should not even be abandoned, but it is certain that revaluation cannot be done in the manner proposed. Yet enterprises must have more freedom in adjusting the value of specific capital assets to real market prices. A similar result can be achieved in another way--through accelerated depreciation of equipment, by prescribing considerably higher minimum depreciation rates (for example, rates which are twice as high as the present ones).

The proposed revaluation of working capital causes harmful consequences of far greater proportion. With respect to the accuracy of the financial and income statements, the effects are similar as those of the proposed revaluation of

capital assets. The prices of certain raw materials and supplies which are imported on a large scale vary greatly. There are cases where their present purchase price is as much as 10 percent below the purchase price 3 months ago. Under those conditions what does it mean to apply a uniform revaluation coefficient or an overall retail price index or producer price index for industrial products.

#### Pressure Toward Inflation

Working capital in the form of inventories (raw materials and supplies, work in process, finished products, and goods) amounted to nearly 8,500 billion dinars at the end of June, which is about 30 percent larger than the social product produced in 6 months of this year. The nominal value of inventories was certainly higher on 30 September, and it can be assumed that at the end of the year it will exceed 10,000 billion dinars. This indicates the markedly slow turnover of working capital and high costs, since most of the inventories are financed out of credit on which nominally high rates of interest are nevertheless paid. The current partial revaluation has contributed to their nominal growth. There is no need to prove that the revaluation of raw materials, supplies, work in process, and finished products is a direct cause of the rise of prices in the subsequent period. These inflationary effects would be multiplied if the new concept were applied.

The legislation provides that the difference between the revaluation value and the revaluation revenues and revaluation expenditures must cover the total revaluation of permanent sources of business assets. Let us assume that long-term lendings, which are an integral part of the business fund, amount to 3,500 billion dinars. Who is going to make up the approximately 1,600 billion dinars which are the result of revaluation of just that portion of the business fund, and where is that money to come from. Although the revaluation coefficients have been prescribed, what will happen in practice is the following: business organizations will revalue capital assets to the maximum (since their carryover to costs and to the operating result is slow), and they will also revalue to the maximum all inventories from raw materials to finished products in order to furnish the necessary quota to cover revaluation of permanent sources of business assets. The consequence is clear: in the subsequent period all costs will be multiplied, and this will result in an immense inflationary pressure. If under this accounting system it took approximately 12 months for average prices to double, now that period will be shortened to 3 or 4 months.

The proponents consider the consequences of applying the proposed solutions in a static model. Their point of departure is that the prescribed revaluation and preservation of the value of social resources will result in an essential reduction of income, which means a reduction of personal incomes and social service expenditure in enterprises, but also a reduction of government expenditure and social service expenditure financed out of the income of organizations in the economy. This will not happen, but there will be two certain consequences: first, a horrifying rise of inflation because of costs carried over to the future, and second, a growth of uncovered losses.

The present accounting system must certainly be changed. It must be adapted to the existing features of the economic system which are unwise and to high inflation. The possible solutions are simple and straightforward. Every revenue, even if it comes from interest and exchange rate differences, should be entered in the books as a revenue even though the rate of interest is lower than the rate of inflation; every expenditure, including expenditures to pay interest on credit up to the level of the rate of inflation and exchange rate differences on short-term credits, should be entered on the cost side. If the rate of interest is lower or higher than the rate of inflation, that is exclusively the business of the owner of assets and the user of the credit, and the owner of the assets must be required (if he is not already motivated) to preserve the real value of his own money.

What should be revalued? The revaluation of items making up working capital should be altogether abandoned. The essential thing is to revalue only the portion of the business fund of an economic organization which is used to finance current business operation, and that portion of the business fund must be reduced by the amount of long-term lendings. In this way every organization would have to be mindful of maintaining its own real property which it possesses (it does not possess long-term lendings). However, under present conditions even this kind of revaluation is not possible without causing additional inflationary pressure. It is indispensable to first transfer to the benefit of the business funds of economic organizations all of the credits for selective and special purposes granted out of the note issue of the National Bank of Yugoslavia. Only under these conditions would it be possible to accomplish that kind of partial revaluation of the business fund of economic organizations. If one material problem were first solved, the precise assignment of foreign debts and debts to the foreign exchange savings of individuals, and if real sources were established for covering these obligations, then the partial revaluation would not even be necessary, since the basic source of inflation would have dried up.

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## ECONOMISTS DISCUSS IMPLICATIONS OF INDEPENDENT PRODUCTION UNITS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 17 Nov 86 pp 20-28

[Summary of statements made by economists in round-table discussion: "Why Isn't the OUR an Enterprise?"]

[Text] The changes in the economic system and the measures of economic policy will be aimed in the coming year at affirmation of market laws, at establishment of what are called real economic parameters in the conduct of economic activity, at strengthening independent economic units, and so on. Since these are commitments that for all practical purposes have had permanent standing, an analysis needs to be undertaken as to the causes of the defective operation of economic laws.

The basic precondition for commodity production and for the functioning of the market is the economic independence of economic entities (independent decisionmaking and liability for the economic consequences). Economic entities are not independent today and are liable only to a negligible extent for the consequences of their business performance (slightly higher or lower personal incomes, but not always even that). What are the hindrances to the independence of economic units and to development of the entrepreneurial function (the way social ownership has been defined, can the risk be reduced merely to personal incomes, can responsibility be transferred to the enterprise if the government is making a number of specific decisions concerning development, foreign economic relations, prices, and so on)? What does bankruptcy mean under present conditions? Can financial liability be passed on to the persons employed in economic units by appropriate operationalization of the system of distribution on the basis of the results of management? Does it suit government agencies and quasi-governmental institutions to optimize the self-management system in a way that would make it possible for it to function effectively without the everyday arbitration of government and political representatives?

We devoted this year's round-table discussion of EKONOMSKA POLITIKA, which we organize in advance of the conference of economists in Opatija, to that topic and to these questions. The participants in the discussion, which we are publishing in a freely edited paraphrase, were France Cerne, Ante Cicin-Sain, Marijan Korosic, Ivan Maksimovic, Ljubomir Madzar, Radovan Milanovic, and Dragoje Zarkovic.

## A Quasi-Market Is Not Effective

Ivan Maksimovic:

It is obvious that the problem comes down to the general question of the concept of the microunit in the framework of a particular type of socialist economy, that is, of the model of socialism. In other words, this is the problem of the enterprise within the framework of a self-managed economy. Since a self-managed economy, in my opinion, is an undifferentiated economy, since both the political and economic aspects, and more broadly even the cultural and every other aspect of life, are brought together within the enterprise, the basic organization of associated labor has been established as the locus of political and economic life and the commune as the basic cell of society. Thus economic functions are eliminated in favor of other functions. If we examine our historical development, we note attempts to differentiate the economic aspect of life in some way, to affirm the enterprise or the OUR as an economic unit, to impart to it all the elements and attributes of the economic outlook. These attempts have always been rejected, since the political, self-management, or other component was emphasized. In our country this is refracted through the battle for the market, through the battle for the plan, through the battle for reforms--that is, the prevailing thesis, at least so far, has everywhere been that things must be seen in the context of overall self-management, political, and social interests. The crisis that occurred and is the reason why there is more and more emphasis now on the problem of separating the political from the economic, in the sense that the political system and reform of the political system have to be dealt with so that it is possible to deal with the problem of the economic, shows that two or more systems which have different logic, motivation, goals, and mechanisms are compacted here. This ultimately does not function; on the whole all of this is dysfunctional.

Let us go back to the enterprise. First, the question is whether we have an enterprise at all, and then we can talk about whether that enterprise is free and independent, and we can define the concept of independence. When we say economic independence here, do we think of it in the conception of a commodity economy or are we referring to general social, political, and economic independence, or are we referring to some third type of independence. In operational terms this would make it possible for us to be positive, but also critical in discussion of the entire problem.

France Cerne:

The first question, as I see it, is whether this title contains a contradiction? After all, for me there is no enterprise without autonomy and all the functions we are aware of, and that means that it is impossible for an enterprise to be unfree, but rather the enterprise is always an independent economic organization which has grown up out of private ownership and development of the market system. That is why I think that the worker amendments and 1974 constitution, and indeed even the Law on Associated Labor, are antientrepreneurial, since they completely throw out the concept of the enterprise, of competition, of entrepreneurial risk, of entrepreneurial profit, and so on.

So, I think that the system of a self-managed consensus economy which has emerged as the first phase of the so-called projected association of free producers, has been antimarket, anticompetition, at least as a tendency, extensively barterized and with other categories built in, especially solidarity, antienterprise, and so on. I would merely quote the Bureau for Market Research in Zagreb, which took a survey of workers. Half of the workers in the survey rejected any idea of bankruptcy and of taking risk for any sort of losses. Accordingly, in the outlook of the workers the enterprise is anti-worker. It is for that reason that it is felt that in an organization of associated labor or in a work organization the only input of that organization is labor, and the value of labor is realized in personal incomes. Only an economy of labor exists, not an economy of resources, which are socially owned. It is not social capital, since then you have economization, but you have assets which are a material condition for labor. We come to the point where the workers have the right to use those assets, but not to be concerned about their value, their price, their reproduction, and so on. After all, this is important to an enterprise, but it is not to a work organization. Although later the concept of "past labor" was inserted, in my opinion it is completely out-of-place, since in the enterprise it takes the form of capital, while in a work organization there cannot be social capital. So, if it is a question of restoring the enterprise and developing it further, then that means that we have to undertake a revision and thorough reform of our socioeconomic system or of the essence of the socioeconomic relation.

The second question is whether the conditions that have been created normatively on the basis of the constitution and the laws embodying the system are antimarket, that is, is it possible within the context of those conditions to create an efficient and autonomous economic organization as an entrepreneurial category? There are two conditions for a market system: first, it means spontaneous social division of labor, and second, individual (private) ownership. In a mixed economy most of the capital is individually and privately owned, although this does not mean in the true titular sense, but as property disposed of by an economic entity which can reproduce it and be accountable for that property as a whole, that is, for all its functions. In other words, only quasi-market or accounting market categories, an accounting market are created, which, as we know, has never according to Lange taken on life and never will take on life, nor will it be efficient. In that sense I feel that we should change certain conditions, especially the conditions of social ownership, and accordingly reform social ownership so that the organization can figure as an enterprise.

The third question which seems very important to me is whether a new form of ownership or basic property relation should be created? I feel that a one-sector economy, as a pure economy--both social ownership and private--has been completely superseded. This is a textbook model, but in actuality we are today dealing with a mixed economy, and our economy, if it wants to be efficient, must be mixed--ownership by small owners (private), and then entrepreneurial ownership--worker ownership, ownership by a work cooperative, and even government ownership. In my opinion a pluralistic mix of this kind should be the point of departure for further reflections and for our country, not only because of the domestic development of the productive forces, but also because



we are not isolated from the European economy and the world economy, and we must have communication with all those economies.

I think it is a mistake to look for a homogeneous economic entity, although in the law it is possible. If we assume from the output that there are several owners in an enterprise or in an economic organization, then it is a question of a coalition of inputs and interests. Here we are dealing with a great many possible persons, among them the workers are one of the sources of the basic input, but there are also others--savers, and foreign entities which also should be responsible for that economic organization. At the same time, I feel that the economic organization as a whole would be accountable to all external factors. Accordingly, risk and responsibility should be borne by all those who have an input (invested labor, capital, services, financial participation), while with respect to obligations abroad that firm must be accountable. From this standpoint I think that sociopolitical communities must inevitably cease to be the executors of any sort of property rights at all, and their role should be reduced to social regulation. Sociopolitical communities might also have their fixed capital invested (like the other partners) in the firm, and along with the other partners they might have a share in selecting a responsible professional management structure.

State Ownership Is Social Insofar as the State Is Democratic

Dragoje Zarkovic:

The topic for today's discussion was well chosen, and the basic problems related to it have been pointed up quite well. These are issues which have essential importance to emergence from the crisis in which we have found ourselves for several years now.

To the question whether our enterprise can be independent I answer: It must become independent if we are to have successful development. Without independence of the enterprise there is no conduct of economic activity on the market, there is no honoring of economic logic, economic laws, and the coercion of the market. And without all of that there really can only be an administrative conduct of economic activity based on political voluntarism, which is very inefficient from the economic standpoint, and here the economy and society must inevitably fall into an ever deeper crisis. That crisis is especially dangerous in the context of the present-day scientific-technical revolution, since the lag in this sphere has long-term baneful consequences, not only economic, but many other consequences as well.

It is an indubitable fact that all socialist countries are lagging greatly in the present-day scientific-technical revolution. If that lag continues, socialism will be compromised as an idea. The bureaucracy cannot be the motive force of progress, since it has guaranteed itself (and in some places even to its progeny) a monopolistic position in society and privileges whose enjoyment actually prevent it from being concerned about anything other than protecting those privileges it possesses. That is why it is opposed to changes (I take off my hat to the exceptions) which would alter that position, and it refuses to see what is happening in the world and here around it.

The independence of the enterprise is inseparable from the conduct of economic activity on the market, from the operation of a complete market mechanism, a market of goods and services, a capital market, and a manpower market--all of this in the framework of a unified national market and in the framework of a world market whose influence must be felt more and more in every country, since the world is undergoing economic unification.

It is obvious that for more than a decade the conception of the pooling of labor and capital and of the free exchange of labor has been unable to take life. That conception has proven to be a flight into the future, a utopian construct. All attempts to breathe life into it have been inseparable from the direct or indirect intervention of the government and party bureaucracy; that is, they have been a form of administrative intervention.

If we are not to "eat up" accumulation and then furnish capital for investment by borrowing abroad and by the inflationary issuing of dinars, we need a capital market with a real positive rate of interest. Only on that basis can there be a real economic interest in saving, in building up accumulation; only in that way can the conditions be created for the mobility of capital and for its most optimum investment.

The absence of a manpower market has brought about drastic differences in the personal incomes of workers with the same qualifications, the same specialized background, differences that exist neither in any country with a market economy nor in states with the Soviet-type of administrative conduct of economic activity. Within the limits of work collectives there has been a strong expression of and tendency toward leveling. The monopoly which employed persons have on their jobs has engendered idleness, poor discipline, negligence, and irresponsibility. The humanistic approach in dealing with employment relations that is built on that basis has generated into an antihumanism, into the worst forms of exploitation of man by man. Its ultimate result can only be poverty socialism.

Ljubomir Madzar:

It is difficult to imagine how a manpower market can be institutionalized in a system in which the worker is the owner and master. This is just as incomprehensible as a market for enterprise in conventional capitalism. The owner and master combines and assembles the other factors of production and pays for their cooperation, but he takes the risk and collects the profit.

Zarkovic:

What I have in mind is that the work collective must have independence in hiring and discharging workers and in dealing with a number of other internal matters which it does not have today.

The market for capital and manpower does not mean at all that the development of society is being left to spontaneity, not to say elemental forces. The planned approach in guiding investments and the training of personnel must be practiced by every well-organized society. But all of this must remain within

limits that allow for the scientific knowledge that has been gained. This also applies to the social impact on the setting of prices of certain goods and services. The conscious influence of society should also be exercised through the tax system, which in modern states does not come down merely to meeting fiscal needs, but has a pronounced economic and social function. The same also applies to monetary-and-credit policy, to foreign economic policy, and to other areas in which the present-day state is active in expressing and protecting the general interest.

The mobilization of work collectives to work more and better is inseparable from their independence in distribution by purposes and among individuals, from their independence in taking the consequences of their own conduct of business--both good and bad.

Certainly, the legal definition of ownership of the means of production also has an essential importance to the socioeconomic position of work collectives.

It is an indubitable fact that the level of socialization of production of various goods and services determines the real forms of ownership. Since that level differs, real pluralism of the forms of ownership is inevitable. All those forms should be looked upon as differing aspects of social ownership, since, as has been known for a long time, all conduct of economic activity is social in nature. It is a wrong approach to attribute the attribute "social" only to state ownership or to the nonownership which we have.

In my opinion state ownership is at present the highest form of social ownership, and nonownership can exist only in a noncommodity communist society in which people will work to gain satisfaction, not out of necessity.

State ownership is social insofar as the state is democratic, but not just in terms of formal law, but authentically. In practice this means: insofar as elections are truly democratic, insofar as there is a pronounced public scrutiny of the proceedings of government bodies and agencies, insofar as the voters monitor the work of those whom they have elected. The less of that kind of democracy there is, the more state ownership represents a distorted form of group ownership or indeed even individual ownership (autocratic power in actuality). If state ownership is a predominantly distorted form of group or individual ownership, it cannot open up room for progress of the productive forces viewed over the long run.

State ownership in the sense of predominantly social ownership is being imposed more and more in areas which have exceptional importance to the entire economy and society, such as the fuel and power industry, certain branches of transportation, water management, national defense, and the social infrastructure (schools, hospitals, cultural institutions, etc.).

The run we have had so far with social ownership in the form of nonownership has resulted in unsuccessful administrative conduct of economic activity, a large-scale erosion of what is called social ownership, a crisis of self-management, of the economy, and of society as a whole. This kind of consensus socialism has degenerated into a polycentric statism.

Our legal system contains the institution of past labor, but life cannot be breathed into it unless respect is paid to the forms of collective ownership and realization of personal income, and unless funds are set aside for accumulation on the basis of that.

The independence of the enterprise in our country is certainly inseparable from the power of the work collective to hire and discharge workers, to elect and dismiss the professional management, and in general to conduct a business policy independently within the framework of the economic system and the economic policy of the government, which are based on the premises of market economic activity and a planning determined by the real possibilities for conscious positive impact on economic and social development. In emphasizing this, I am thinking of the experiences of the most advanced countries which have a market economy, to which the less developed countries must look in many respects, making use of their practice and what they have learned within the limits allowed by the character of society in less developed countries. Termination of the tutelage of enterprises by the state and the party by achieving their independence might be considered "betrayal" of socialism only if socialism is treated as a premature fetus incapable of independent life.

Cerne:

I have some remarks to make. I would say that I like the term "associated labor" in a way, although I said earlier that the enterprise cannot be merely an organization of current labor. I am thinking of the concept of associated labor that is contemporary today as intertwined physical and mental labor. In that sense there should be a change in the legislation in effect; that is, it should be set up very flexibly so that associated labor becomes an association of intellectual labor assisted by physical labor. We might take the small firms in the West as an example. A Harvard professor, for example, has invented some new product, a new drug; he and his assistants establish a firm which he manages, although he is still a professor and researcher. Unless we have that kind of flexible system, we will be left with our giants, usually ossified firms and combines with their own bylaws and an organizational structure that cannot make it.

Second, I have an objection concerning those real market prices. Recently I wrote something in NASI RAZGLEDI about that and about the laws of the market. I think that the question of what real prices are has become a fetish. The Yugoslav economy cannot be a testing ground for affirming the laws of the market, since it would represent too small a sample. But if we make our economy a part of European and world parameters, those prices must above all be a parameter of the world market price or market laws, not by any means the result of some Yugoslav market laws of our own.

Zarkovic:

A market economy presupposes the influence of the world market. It would not work without it.

## Two Opposed Interests

Radovan Milanovic:

I think there is a problem in the definition of the independent entity and its goal. Unless we know what the goal of the economic entity is, we do not know his real motivation either. It has been said that in socialism the basic goal of the enterprise is the production of goods to meet the needs of society. This means that the social need is defined from one center and the enterprise is given the task of production, along with certain obligations and with certain norms. However, as soon as we introduce a market economy and a market (production of value, not merely use value) the objective function of the enterprise automatically diverges from the objective function of society. The enterprise maximizes certain of its individual goals, but those goals vary as a function of the proportions among the factors. There is one objective function if capital is private property, if it is social or state property, then often a different objective function emerges which unfortunately under present conditions, in a majority of the socialist countries and indeed in our own as well, is manifested as a function of workers maximizing their gain, that is, their personal and social service consumption, and accumulation is a residual factor and consideration is not paid to it. That is why I think it is important to define what the independent entity is in our society. I reject the argument that this can be the basic organization of associated labor as it has been defined. In any case, I feel that there is a need for us to free ourselves somehow of this normativism with respect to defining the independent entity. The independent entities should themselves be left to adopt their own organization according to their business goals. Sometimes they will begin to pursue a line as an enterprise, but in their subsequent development it would spread to several lines depending on their business strategy.

I think that the objective function must be clearly defined with respect to both factors of production--with respect to labor and with respect to capital. It is obvious that from the short-term standpoint of the first factor this is maximization of the personal income and social service expenditure. However, from the standpoint of the enterprise's survival, from the standpoint of collective enterprise, the objective function is the same as in a capitalist enterprise, since that enterprise confronts the capitalist enterprise; if it does not innovate, if it does not modernize, if it does not generate capital, it cannot survive on the market. Accordingly, the enterprise must have an objective related to accumulation and to expansion of capital, and the workers, since they are a mobile factor, may leave an enterprise if it is performing poorly. Still the worker's interest is short-term. The attitude toward ownership is also set up from this standpoint. If we assume that we have the kind of social ownership that we have defined, it is natural that those social resources used by enterprises take the form of some hired form of social capital to which the enterprise must make an appropriate contribution. This accomplishes the social interest of the expansion of capital.

Now another question arises. As soon as we say that the enterprise must have its own associative [asociivna] function consisting of two elements, the problem arises that we must have what Dr Zarkovic said--advanced markets--a

commodity market, a capital market, and a market for manpower. Then the economic entity takes on an altogether different role, and the definition of the principal task changes. The task is through the market mechanism to meet the needs of the workers and expand capital or realize appropriate income. What ought to be changed here? Where did we make a mistake?

If we defined the enterprise as a collective entrepreneur, it is logical that it must have integrated professional management functions, since they guarantee an appropriate position of the enterprise on the market. I think we made a great mistake when we watered down the professional management functions in enterprises so that we might eliminate the influence of bureaucracy, technocracy, and others on the decisions of the workers. In actuality we took away from an organism its basic functions.

The result of the enterprise, that collective entrepreneur, which is achieved on the market is always evaluated as the result of labor. Accordingly, remuneration must be according to the results of labor, and that means that inequality is automatically introduced, but a market economy is in fact an economy in which equality is achieved through inequality. After all, if there were no inequality, then what would be the driving force behind the mobility of labor, capital, and all the rest. Any equalization and reduction to certain averages eliminates the motive power of a market economy. The question must also be put--how is the social interest to be safeguarded. Obviously, as soon as we introduce the market, the social interest must be mediated. This means that it cannot be realized directly, as in our country the desire has been to realize it through the basic cell, which would be concerned about health care, education, science, and the workers, as we put it, would take control of the entirety of income. That is why there is a need for planning, but not this kind of planning, but what is called indicative planning (I am, of course, leaving aside here the planning of the enterprise), in which society sets its global goals, which are realized by indirect methods.

As for risk, we have to distinguish two things: In enterprises where the market can perform all its functions, the risk ought to be entirely passed on to the enterprise. Is the risk related only to the job? No, I think that the sources of capital in the enterprise vary. It is formed from the past labor of the collective itself, it is formed from domestic and foreign bank resources, and I think it should also be formed through shares of stock of other enterprises and indeed even shares of stock of individuals. They all take a risk.

Wherever investments are tied up for a long time and the risk is difficult to assess, the capital of collective and individual entrepreneurs is not forthcoming. Here the government must emerge as a participant in this kind of investment project or as a guarantor of the stability of that kind of investment project. These are usually those investment projects which have large external effects, such as water management, ecology, certain branches of transportation, and so on.

## The Workers Do Not Want To Take a Risk

Marijan Korosic:

The question that was put in the topics for discussion as to whether our enterprise could be independent surprised me a little. After all, today we do not have an enterprise, and accordingly it cannot be independent. If we speak about organizations doing business under market conditions, the question is again inappropriate, since that kind of enterprise must be independent, since if it is not independent, it is not even an enterprise. The independence of enterprises and of other economic entities follows, in my opinion, as a necessary consequence of social ownership and self-management. I think that not in a single alternative definition of self-management, and there might be several definitions, can we imagine a basic economic entity without his free operation, without independent decisionmaking on all vital economic and other matters. Independence, in my opinion, has to do with all the aspects of decisionmaking, while freedom--let us not forget that category--pertains to political freedoms, and those political freedoms are a broader concept and also include the concepts of economic freedoms. However, even though I am so firmly convinced of the need for independence of economic entities as a part of economic and political freedoms and as a mechanism for the effective functioning of that kind of economy, we must still take note that there is no absolute freedom anywhere, so that there is no absolute independence in the conduct of economic activity either. It is not just the independence of the enterprise that is important, but also the independence of individuals, that is, of members of society. Individuals must have the opportunity to enter or leave an enterprise, to quit or take a certain job, to go to school according to their affinities, and so on, on the basis of their own independent decisions.

Why is the economic independence of the enterprise important? It is important because of this opposite pole which is now lacking--responsibility.

The essence of our discussion is who takes the risk of an undertaking. In all economies the possibilities of making mistakes are immense. There is no economy which with 100-percent confidence can look at the future and the parameters which determine an investment project and [...] business decisionmaking. Wherever the forms of behavior are prescribed in the centralized manner, the possibilities of individual mistakes are fewer, but the overall mistakes are huge. In a self-managed society, economic entities must be independent in making decisions. Since these entities are unable to possess all information or to foresee in good time all the consequences of economic and social life, here the individual mistakes will be greater, but the overall results will be more favorable. The principle of independence in making decisions must be supplemented by yet another principle--the principle of independence in correcting the bad consequences of that decision. In the tension that is created between these two concepts--independence in decisionmaking and independence in correcting mistakes--it is possible to recognize societies which have creative tendencies, which are making changes that alter the limits of freedom, and so on.

If we go back to the specific turf on which we have been living, both earlier and today, we see that the workers have always expressed a great aversion to risk. There has been research by a number of sociologists which leads to one general conclusion--that the workers do not accept a risk. They accept only responsibility for their own behavior on the job. Now the question is whether this can survive at all and whether these worker attitudes can be changed. In my opinion these worker attitudes are normal and cannot be changed. The analogy in which the worker takes over the function of the capitalist as a self-manager is not in my opinion altogether acceptable. If aside from his ability to work the worker has no other property at all, the variation of income could place him in an impossible situation, in a situation which is unthinkable for the system and also unthinkable for him himself.

If the worker cannot take the risk for a wrong decision, we come to the conclusion that the risk can and must be borne by the self-managed enterprise. However, the behavior of the self-managed enterprise, even in a pure model, let us for the moment leave reality aside, must display a high degree of organization. There are large differences in behavior between small and large enterprises.

What do the small enterprises do? Are they more cautious toward risk-taking, do they take risks with greater difficulty, and do they make better-quality investments than large enterprises because they are more cautious toward risk-taking?

Cicin-Sain:

They are less protected, that is why they are more cautious.

Korosic:

Certainly, they are more cautious. But there is one more thing. At a high level of personal income, at a high standard of living, it really is risky to enter into risky transactions. The person who has a high standard of living may use a unit of his income, and that may mean much more to him than one additional unit of income.

We might also put other questions in this connection. How does distribution within the enterprise affect risk-taking, the acceptance and bearing of risks? If it is true what I said before that rich individuals have a greater aversion to risky undertakings, then that fixed portion of personal incomes should be made as large as possible. That is why the question of who takes the risk is related not only to the organization of the enterprise, but also to the system of distribution. The distribution of the variable portion which remains after the risky undertaking must be unequal, and management personnel (the professional management, the technostucture) would have to have much higher personal incomes, and the difference between the personal incomes of the technostuctures and the personal incomes of the workers who are operatives must be far greater so that the professional management structures within the enterprise (insofar as enterprises must take a risk) can support that risk.



If the loss is large, and it can always occur, even in the normal investment process, then even the personal incomes of the workers cannot cover it, nor can it be covered by even the personal incomes of management personnel, but it must be covered by other enterprises which stand in a business relationship to that unprofitable enterprise. If the social or regional community does not allow bankruptcy proceedings, the loss is covered only with the help of the social community. I think that the regional community must help enterprises, since the regional community cannot stand apart from a certain risk-taking, since enterprises can never be completely isolated anywhere.

All Are Protected Against Risk

Ante Cicin-Sain:

I will speak about the economic independence of economic entities and the paternalistic role of the state and ideology toward the process of economic activity in our country, which has an altogether concrete impact on the economic behavior of the principal economic entities. I will start out with several observations which I believe to be absolutely indisputable, but which need to be mentioned.

We have a highly decentralized economic system that is manifested both in economic activity conducted within the country and also in economic relations with foreign countries. Still we do not have government monopoly of foreign trade, and I think there is no chance that we will be going back to it. The patterns of our economic and likewise political development are reflected in the fact that we have a decentralized economic system. Possible attempts at some kind of elimination of the decentralized economic system and its replacement by some centralistic system (although I do not rule it out that there are such ideas even in our country) would be condemned to ruin and failure. I am profoundly convinced of that.

Where do I see the problem? I see the problem in the fact that our government, party, and ideological apparatus is obviously still not willing to accept the consequences which necessarily and inevitably follow from the fact that Yugoslavia does nevertheless have a decentralized economic system. Instead of honoring that fact, our party, ideology, and indeed even the government persistently behave paternalistically, that is, like small and self-styled protectors of all economic entities.

The government and ideology, openly or covertly, want to protect everything against the effects necessarily generated by the decentralized or market mode of economic activity. Economic entities, those receiving that paternalistic protection (of the state) selectively choose in what respect they would like to be protected, and, of course, they reject insofar as is possible what that kind of behavior of the government implies, so that we fall into a contradiction.

Who among us is protected against the operation of the market, and who is under the protection of the state? First, the worker, the direct producer, is protected. He is protected against the obligation of performing his work

duties, since once a job has been obtained, there is practically no possibility of losing it, regardless of how much or in what manner the worker works.

Second (worse than the fact that the worker himself is protected, since the worker is protected in other economic systems as well), our economic and political system protects people who ought not to be protected. For example, it protects economic and political officials who enjoy a still higher degree of protection than the worker who is an operative. Since they enjoy that level of protection, they neglect their principal function--the development of enterprise. Enterprise is underdeveloped in our country; aside from that it has been proscribed, and this so-called technomanager of ours is happiest when he is given directives "from above," when he works according to instructions and doesn't have to rack his brains creating new combinations and inventing new products, since he is protected. But, even more absurd, the consumer is also protected in our country. The government wants to protect the consumer against facing economically determined prices of certain products. It protects him against real prices. The government coddles him in that he has to get a place to live without paying for it, medical service without paying for it, education, he has to have subsidized municipal transportation, and so on. Beyond that, the government also protects the work organization against domestic and especially foreign competition. Competition is something dangerous and abhorrent. Instead of competition, we are supposed to reach agreement, take control of the domestic market, and since we cannot enter into agreement with foreign countries, we have general systems of protection through various commodity regimes, foreign exchange quotas, and so on.

To go on, and this is a specific feature of all socialist countries, especially our own, there is also protection against the regular discharge of financial obligations that have been assumed. In socialist economic systems work organizations enjoy special favor in that they need not face firm financial limitations, but in actuality they have a right to do business under a regime of certain elastic financial limitations. This opportunity open to Yugoslav work organizations to operate under a regime of elastic financial constraints has in our country been raised to the level of the ultimate goal of socialism. In our country this appears under various slogans which almost no one questions, and they are these: taking the burden off the economy, self-financing of the economy, liberating the economy from the domination of centers of financial power, the prevalence of the capital relation, equipping the economy to take control of the entirety of the conditions for the conduct of economic activity, and so on. The ultimate effect of this is poor conduct of business that is not punctual and is extremely unfavorable from the financial standpoint, low productivity of labor, lag in advancement of the production process, in accumulation, in innovations, in competitiveness on the world market, and so on. All of this takes place in spite of the fact that the sector consisting of domestic work organizations is actually in a position to use domestic and foreign capital below the objectively given cost price of that capital.

So, they are all subsidized, from the workers to the consumers, and instead of a creative entrepreneurial spirit, there are ever more pronounced symptoms of what is known in the literature by the name--behavior in order to realize the

mentality of living off the income from profit. Everyone wants his little monopoly, gains without effort....

Korosic:

That is to be expected. People want income coming in aside from work.... What else does that mean? If we move on from the microlevel, since the burden is being taken off everyone, but someone has to be burdened, we see that that burden ends up in the banking system. First, in the system of commercial banks, and the commercial banks in turn pass it on to the system of the central bank, which in our country has ended up with losses on a scale which are unknown in other economies, capitalist or socialist.

It ends up with all of us, in the standard of living.

Cicin-Sain:

But it has not always been ending up in the same way. That is, this system has lasted a few decades, except that recently there has been a change and not a small one. That is, up to the end of the seventies this passing of the buck could somehow function so long as there was a net inflow of capital from abroad. At the outset this net inflow was in the form of a grant, then another grant, and then credit, and then the "bubble burst" in 1980/81, and since that time we no longer have had a net inflow of capital; we have even had a small outflow, and the consequence (since we have continued on in the same old way) has been the eruption of inflation, which not even the drastic drop in the standard of living has been able to offset. It is obvious that our government cannot support that kind of behavior on the part of economic entities which it itself encouraged. Here I come to the observation which has already been made, that a thorough reassessment of even the basic postulates of the system, of the behavior of economic policymakers, and also of the behavior of basic economic entities which to a large extent have come under the influence of that paternalistic posture on the part of the government and the ideological apparatus is indispensable to a way out of the situation.

The implications of this are certainly that we will face the problems of inflation and a crisis so long as the government, ideology, and all economic entities are placed in a situation of accepting the logic and implications of the mechanism of a decentralized market economy.

So long as the situation is difficult in material and financial terms, it seems to me that the problems are compounded still more because our government, party, and ideological apparatus have not been showing sufficient willingness to seriously confront the problems we face. Problems have cropped up which were not anticipated: to be specific, the problem of losses in the banking system. Instead of a concentration of capital in the banks, we are getting anticapital--a concentration of losses. We will destroy the substance, accordingly there will be no capital relation either.

Maksimovic:

We are already well along on that road, we have destroyed more than half of it. More than 50 percent of the substance has been destroyed.

Cicin-Sain:

I do not know how matters stand in real terms, but I know how they are in the financial sphere. Here the situation is disastrous. The losses that have built up in Yugoslavia's banking system as a whole suggest the conclusion that in our country there has actually already been a very large redistribution of profit.

Those Who Have the Power for Change Do Not Stand To Gain by It

Ljubomir Madzar:

We have built the independence of basic economic entities into our system as one of the fundamental institutional socioeconomic commitments, since there is no self-management unless economic entities are independent. Accordingly, if we have committed ourselves to self-management, we have also committed ourselves to the autonomy of our basic production units. We have not delivered on that commitment. For some 40 years now we have been attempting in one way or another to arrive at that autonomy, and today we are not much further along on that road than we were in the early fifties. I would like to talk about certain factors which have stood in the way of this. The question is whether it is possible to achieve the autonomy of the economic entity in a system which has the attributes which our system has in its political superstructure.

Our system is based on a particular conception of social ownership of the means of production. In some sectors there is coexistence of different forms of ownership, such as agriculture, but a sizable number of sectors are so organized that other forms of ownership have no access whatsoever. Now the question arises whether it is possible in an economy organized in that way, with the monopoly of one form of ownership, to also have independence of basic economic units. This brings me back to the question which is the topic of this discussion.

It seems to me that our experience to date has shown that social ownership must have its institutional protection. When that protection has weakened, there has been an erosion of social property. Now the question arises whether it is possible in a socialist society like ours to protect social property without that protective mechanism being based on some government mechanisms or certain other mechanisms which are based on the use of force and which will have certain broader social implications which we would not like to have. In my opinion, this is the basic dilemma we are now facing.

There is a theory to the effect that an effective nongovernmental mechanism for protection of social ownership can be built, an automatic mechanism which will guarantee that all this functions normally. Whether that is possible is a big question, but it is certain that it is very difficult to achieve such a

mechanism. Our experience to date confirms this unambiguously. At present the only thing that has been proven with certainty is that it may not be achieved, as our present situation in fact demonstrates.

Now the next question emerges: If that is possible, will there be sufficient interest in the hands of those who manage our institutional construction and the shaping of the economic system for them to do it? If we say that this is in principle possible, but that the forces capable of doing it are not motivated to do that kind of thing, then we have actually said that it is impossible, since then it comes down to a semantic question--to what extent is the thing possible or impossible if the one who can do it won't, and the one who wants to is unable to? In the end this comes down to impossibility.

Private ownership also seeks protection against stealing, swindling, arson, and various forms of criminal behavior. However, it does not require the extent and the kind of protection that social ownership does. In purely economic terms private ownership protects itself, since behind all private ownership there is someone who is ready not to sleep at night if that property falls into jeopardy in any way. Here I see a qualitative difference between private and social ownership. Social ownership always seeks stronger protection than private ownership, and on the basis of experience to date the conclusion can be drawn that there is no guarantee that that mechanism that would protect social property would not also demand certain other things which we would not like. After all, once the protective machinery is created, it begins to function according to its own laws, and there is a big question as to whether it won't run wild and become a mechanism which eludes social oversight and limits freedoms. After all, economic freedom is a component of freedom more broadly conceived, and it is a big question whether there isn't a danger that when freedom is restricted in the economic segment this won't also pour over outside that segment and threaten freedoms in the broader human sense.

Here I see a fundamental difficulty, a problem to which our experience to date has not furnished an encouraging answer. This is the reason why in the first approximation my answer to the question of whether the independence of economic entities operating with social means of production is possible or not was...no, it is not possible. I would go on to add that the motivation does not even exist to build a mechanism in which the entities would be independent. In socialist societies, including our own, the subjective forces have the command role, above all in the economic sphere, but then also in other spheres of the life of society as well. That subjective force, aside from its concern about the goals of society as a whole, obviously also has some more narrow interest of its own. That more narrow interest is that it reproduce itself as such, that it consolidate its place in society and maximize its power, and certainly not to do anything that would make it superfluous, but the creation of economic mechanisms that would be based on the autonomy of economic units would actually lead toward a situation in which there would be less to do for those subjective forces, less intervention, and the *raison d'être* of such forces would largely be lost, and that means that the objective basis on which they achieve their prestige, power, reputation, their representation in the press and over television, and, last but not least, their income and their wealth, would be lost. Accordingly, I see in the existence of that

force which has a sufficient motivation to preserve that status quo and is powerful enough to preserve it a fundamental limitation on any effort to increase the independence of economic entities. We should also add our defective economic system, which is so asymmetrically set up that it cannot function for a moment without relying on the government in some way.

Then again there are those terrible price disparities of ours, which are in turn the result of profound defects in the construction of our system. I would start with the prices of the factors of production, which in our country are so mistakenly formed that they are diametrically opposite to the availability of those factors. That is, it is a question of capital, which is scarce, having a zero price and being treated as a free resource, or it even has a negative price, while labor--labor, first, has become very expensive through the distribution of income, and then also the government has piled on and batted on to that labor with its contributions, taxes, and payments, so that what ought to be cheap becomes expensive, and vice versa.

Disparities in valuation of the factors of production, which takes place outside the market, cannot fail to carry over to the setting of the prices of products as well, which is why capital-intensive products are artificially cheap instead of being expensive, and you have the reverse with labor-intensive products. In such a situation the market, in my opinion, cannot function as it should and what we often seize upon as the market, as some way out, is an overestimation of the capabilities of the market. In that kind of chaotic situation everything cannot be left to the market, and that is the reason why intervention from outside the economy is indispensable, since, to take an example, we would be left without electricity, and life would come to a standstill. This is what makes our situation horribly delicate and what in my opinion stands in the way of the affirmation of the autonomy of economic entities over the lengthy foreseeable future, with all the other unpleasant implications. This means that among other things the conduct of economic activity will be inefficient and that freedom will not be guaranteed in an important segment, in the segment of economic decisionmaking, as a component of a more broadly conceived freedom.

At this point I would also like to add something about risk. We still have not managed to institutionalize an optimum attitude of decisionmakers toward risk. In my opinion this is primarily because the power to make decisions is in the hands of a group of entities, but the consequences fall on society as a whole or on some other group of entities. The workers, by the nature of things, have an aversion to risk and are not ready to take the consequences for any decisions which they have a hard time understanding.

Still the risk or the consequences do not fall on the workers, but on social property. In one way or another it is social property that takes the risk. If the workers took the risk, it would not be enough for income to be jeopardized because of wrong decisions, since personal income itself is not a sufficient basis to cover the risk. In my opinion the workers would bear the risk only if they had to cover the losses by selling their own property (house, television set, car, etc.). And the question would not arise whether that loss occurred because of objective or subjective factors, since in true market economies no one asks about that.

I must also say that I do not see any way in our situation for the sociopolitical community to cease to perform the role of owner of social resources, at least in part. If it is a fact that income depends in part on social property, then whoever has more social property, also realizes a larger income, and a dilemma arises as to what we will do with the surplus income. Up to now our alternative has been to let it stay in the same pot, and let the work collective be sovereign in dividing it up as it sees fit. The result of that is that the spread in income for the same work is so terrible that it is unthinkable. Another possibility is to somehow omit that income from distribution. This latter possibility is just as hazardous, since it assumes creation of certain mechanisms for concentration, mechanisms that would have to be accompanied by some coercion.

Finally, a mentality of total nonindependence has been created in our economic units. We would also like economic entities to be autonomous, and we know that that is a good thing, but it seems that they do not wish it, but try to find coverage for all of their more important decisions. This is utterly rational behavior, since why would anyone enter into risks if this could give him terrible headaches and he could break his neck if he fails, and if he succeeds, the reward is in no case commensurate to the size of the risk and to the effort invested in taking it.

#### A Market for Capital That Belongs to No One

Maksimovic:

The problem of ownership must be regarded as a problem of social ownership in this phase of development. The point of departure has been an inaccurate conception to the effect that there is homogeneity in society and homogeneity of social ownership formulated as some kind of communist ownership which has been transformed into the material base of labor. The fact is that this is not a homogeneous society and that three categories of interests exist in it--the individual interest, the group interest, and the general social interest. I think that it is possible to coordinate and harmonize these three groups of interests. The individual interest is realized by maximizing individual income; the group interest (the interest of the collective) is realized through maximization of total or net income; and the general social interest is realized if resources are valued and depreciated on an economic basis in advance, before the category of net income is arrived at, and if provision is made for expanded reproduction of fixed and working capital.

In addition, we must also include here the costs of the normal and effective application of the overall system, that is, government expenditure.

Here we have to take note of two points of view: the way things look from the work organization (the individual interest and the group interest) and the way they look from the vantage point of society and social ownership. From the first standpoint this is a cost, while from the other (the social viewpoint) it is a necessary form of appropriation of a portion of income in order to guarantee the optimum use and development of the resources of society. This is the price of the use of resources, which might be viewed as interest on

resources, a minimum rate of accumulation, as well as a system of economic activity and management by means of taxes.

I think, then, that it is possible within the framework of the institutional enterprise to achieve functioning of the model of social ownership at the present stage and on these foundations. Either independently or in various forms of integration the private sector could be an integral part or an independent part and it should be given the right to exist.

Cicin-Sain:

I agree that there is a confusion of ideas. What has been said about the problems of social ownership under socialism I think has still remained less than clear and without any sort of answers to the specific questions raised by reality that would be usable and operational. All of this is very much a matter of general principle, and ultimately it is unsatisfactory. I therefore think that there is a point and a need to work on elaboration of at least those partial solutions which could contribute to a gradual emergence from the crisis, without touching the fundamental things. One of these questions which perhaps seems peripheral, but still is not, is the question of the housing stock. It is clear that socialism is based on social ownership of the means of production. It is obvious that the housing stock is not a means of production and that in this country two-thirds of the population live in dwellings which they have built themselves, which they themselves are maintaining, but one-third of the population lives in the city and makes use of the socially owned housing stock. We have a dichotomy which is causing disturbances in every possible sphere of life, which is then generating a form of consumption which is untenable, is exclusive in generating price relations, is causing disturbances in the financial system. So, the possibility exists of taking a gradual approach to the problems, although the ideal would be to strive for solutions which are clear and straightforward in their principles.

Korosic:

The first thing that would be necessary is to change ideas. After all, without some vision of the future society we will not in the end be able to do so, and the ideas we have had up to now have led us where we now find ourselves. Another change that we would need is to change the functions of the government. This means as little government intervention into economic flows as possible, but also the independence and democratic responsibility of the government in making its decisions. New vehicles of change are also inevitable. I am thinking of entities in enterprises. In enterprises today we actually do not have technomanagers and technostructures. What we refer to in our country as a technomanager is really an extension of some bureaucracy. There are no illusions at all that this can occur easily or overnight, but without these three things I think that those changes will not occur and we will not achieve independence of enterprises.



Milanovic:

I think that one of the very important questions related to the independence of the enterprise is the question of ownership. The experience of the world at large has demonstrated that social ownership, whether direct (as in our country) or mediated through the government, does not in fact yield those benefits which it should. Accordingly, competition of ownership is necessary.

If social property is placed at the disposition of the collective for its use, this designates the holder of the title, but also defines his economic obligation. That collective must provide a certain contribution to social capital and guarantee its expanded reproduction.

I see the transitional phases of socialism in that social ownership, and I think that we ought to think more seriously about looking upon social property as hired resources which have been leased to a collective which is supposed to guarantee their reproduction.

Madzar:

Who is going to collect the rent?

Milanovic:

The essential thing is to guarantee reproduction, and the collective can continue to keep that rent at its own disposition, but it must go to the capital market.

Madzar:

Why should it go on the market for capital, when the money is there in their hands?

Milanovic:

They go to the capital market, since that is where they will be able to achieve the greatest contribution.

Madzar:

Who does the capital in our economic units belong to?

Milanovic:

It is still socially owned.

Madzar:

Which means that some price should be paid for the use of that capital. Who should it be paid to? Does one pay oneself? If one pays oneself, then that is not payment.

Maksimovic:

I first thought that the payment would be made to oneself, but that would mean blocking up resources within an organization and the reproduction of the same structure. It has to be given to some market. That would be an obligation, since it must fight for that capital through the reallocation of those resources. If it needs those resources, it has to prove it.

Cerne:

I think that in our economic theory battle is beginning to be joined with the ABC's of economics. With the terminology of the constitution and in our political "wordsmithery" we have given over to coining so many words and terms that we have begun to speak an utterly different language. I also once thought that the programmed rate of accumulation was important. However, we can raise the rate of accumulation, and it is gross accumulation. It is thought that with the rate of programmed accumulation we will compel work organizations or the workers to be economical in the use of capital, without having a capital market. Social capital in socialism circulates through business organizations which are registered as possessors of property and which are responsible for that property according to rational economic criteria. This means that we would have to develop a theory of the public firm, and that all possible forms of ownership, private, savers, and so on, could become involved in this mixture, and this would be a business organization which would have to be the vehicle of the basic relations, at least as a quasi-owner.

Maksimovic:

I think that science offers quite a number of interesting models, quite a number of interesting solutions, but this remains at the level of an abstraction, at the level of deductive reflection, when you do not have the opportunity to conduct fundamental empirical research of anything that lies outside the existing institutional arrangements.

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## KOMSOMOL CC BUREAU REPORT OUTLINES FUTURE TASKS

Sofia NARODNA MLADEZH in Bulgarian 21 Oct 86 pp 1-3

[Report of Bureau of Dimitrov Komsomol Central Committee to 15th Plenum of Komsomol Central Committee: "Some Basic Tasks Facing Dimitrov Komsomol as Result of 13th Party Congress Decisions and Preparations for 15th Dimitrov Komsomol Congress"]

[Text] Comrades, next year we are to hold the 15th Komsomol Congress. There we shall give youth's single-minded answer to the problems that the 13th Party Congress raised.

The purpose of the present plenum is as follows:

--To decide upon the first-priority questions, the clarification and solution of which we must undertake in preparation for the Komsomol Congress;

--To outline some of the immediate practical tasks facing the Komsomol associations and organizations that stem from the party forum;

--On this basis, to discover what the main thing is in the subject matter and organizational machinery of the reports and elections in the organization of precongress work.

For the entire party, the people and youth the 13th BCP Congress has become a historic event. It elevated the Leninist April general line to a qualitatively new level, concretized and enriched the Party Program, and delineated the ways of and the tasks in developing our country up to the end of the century.

The 13th Congress justified as stages of objective social laws its strategic policy of implementing the scientific and technical revolution, accelerating socioeconomic progress and expanding on this basis the advantages of the socialist social order and socialist democracy, as well as satisfying ever more fully the people's material, social and cultural needs.

The congress continued the line of the February (1985) and January (1986) plenums of the BCP Central Committee and determined the basic factors and motive forces for the pursuit of this new course, viz.:

--reorganization of the scientific front and utilization of scientific achievements in social development;

--technological updating of production and improvement of the structural policy for development of the national economy;

--the building and strengthening of socialist self-governing organizations;

--their transformation into actual goods producers.

The strategy that was laid down at the 13th BCP Congress is a strategy for qualitatively new growth. It ensures that Bulgaria will take its place in the front ranks of human progress.

The document formulated under Comrade Todor Zhivkov's guidance "On Qualitatively New Growth in the Economy," and the speeches and statements of the general secretary of the BCP Central Committee since the party congress have defined the spirit and substance of the job of beginning and executing the specific tasks and responsibilities in individual areas.

The Dimitrov Komsomol members and youth support completely the decisions of the 13th BCP Congress. They are aware of their class responsibility and their patriotic and international duty to be a striking force in the campaign to accelerate our society's all-round progress.

#### I. Intensification of Reorientation of Komsomol Activity under Conditions of Qualitatively New Growth

Comrades, our country has entered upon a new stage in its development. We are on the verge of a change that must provide a doubling of the national income and the social productivity of labor during the coming decade. This is a revolutionary task. We can accomplish it only through a profound reorientation and change in all areas. The reorientation is already in progress. It takes the form of the pursuit of a new structural policy in the economy, the technological updating of production, the introduction of fundamentally new methods and forms of administration, etc. Also in progress is the preparation of the 5-year plan for the country's socioeconomic development.

Will there be difficulties? Of course, there will--both from the standpoint of the limited resources (materials, energy, labor) at our disposal and from the standpoint of the change that must be made in the attitude and manner of thinking and in the conduct of each of us.

Now is the time to break with a number of outmoded negative factors and defects that keep us back. Now is the time to create everywhere an atmosphere of high responsibility, organization, order and discipline.

All this profoundly affects the younger generation, its education and development, its training and the realization of its potential. The present-day world is raising hitherto unknown criteria for the young person and is putting to the test his ideological, political and moral qualities, his resolution.

What is needed is a new model of thinking and acting, a new type of appraisal of processes and events, new coordinates and yardsticks for our vision.

During the period before the 15th Komsomol Congress we must comprehensively appraise our work from these perspectives and take resolute actions lest we be left on the sidelines of revolutionary reforms.

That youth should thoroughly understand and prepare for the new stage is our fundamental task. The center of ideological-and-educational, political and educational work is to stimulate and direct young people's social energy and mobilize their intellect and flair for the New, for boldness and daring, in order for them to become a shock group and vanguard in bringing about qualitatively new growth on the basis of the scientific and technical revolution.

The new stage sets high requirements for the activity of the entire Dimitrov Komsomol and for work with youth. For us the question is whether we shall be able to reorient ourselves so that we make the sharp turn into which society is now going. We face the necessity of new visions and approaches. It is a question of the reorganization on a new foundation that was initiated after Comrade Todor Zhivkov's letter to the DKMS [Dimitrov Communist Youth Union] Central Committee, namely, the foundation of the party's strategic policy of qualitatively new growth.

To be sure, this does not mean that we underestimate what has been achieved. We must draw up a realistic balance sheet of our multifaceted activity in class-and-party, patriotic and international inculcation of youth, in the mastery of scientific and technical progress and advanced experience, in job training and vocational guidance for them, in instructing them to work with computer equipment, and our contribution to the development of the Strandzha-Sakar region and national youth projects, etc.

The assimilation and comprehension of the decisions of the 13th Party Congress and the definition of our specific tasks and approaches for their execution require special attention to several key questions.

The first question has to do with the change in the subject matter and structure of Komsomol activity.

What is the essential point here?

That our activity should most fully reflect the criteria and requirements of qualitatively new growth. It is a question of new rates of socioeconomic development based on full utilization of all the intensive factors in society. Qualitatively new growth is resource-saving, multiplan, total growth. It brings all spheres of social life into a new state, the basis, essence and substance of which are the objective laws of socialist society in their indissoluble unity and synthesis, namely:

--the scientific and technical revolution;

--the operation of the law of value;

- the relationships between the owner and the steward of socialist property;
- the growth in the role of the masses of people as makers of history.

The lag of just one sphere, the underestimation of just one of these laws is sure to hamper the harmonious development of the entire social organism.

Consequently a new "problem" subject matter is needed that will most fully reflect the objective social laws in their unity and the integral character of the process of youth development of the realization of youth's potential under the new conditions. The subject matter of Komsomol activity can no longer be only measures taken separately, but problems in their interrelationships.

Problems now moving to the foreground include such as:

- the young person and social justice; the distribution of material goods and goods of the spirit; the unity of the individual's rights and duties.

The objective operation of money-exchange relationships, the introduction of new principles and means of the economic mechanism, the exacerbation of some adverse factors and negative processes are turning the problem of social justice into a sore problem in the inculcation of a world view in the young person, in his training and in the realization of his potential.

The Komsomol organization is now required to form high moral criteria and value guides to help young people fathom the essence and principles of social justice under conditions of money-exchange relationships and the socialist principle of division of goods; to create the right correlation between rights and responsibilities, between what we put into and what we receive from society; to help build the right moral perspective towards negative factors, towards manifestations of "scant justice" and, especially, to actively enlist young people in the campaign against them.

The Komsomol association is called upon to shape a realistic idea of the link between the Ideal and the realities, of the socialist principle, "From each according to his abilities, to each according to his labor"; and to create an active moral and political environment which will oppose and prevent the enrooting of a consumerist attitude towards life, egoism, irresponsibility and mediocrity in young people's thinking and conduct.

This is a question that cannot be solved by teaching. What is needed is a close knowledge of youth's problems, thought and attitudes and day-to-day work and effort to form youth's public opinion. The Komsomol must be a real guarantor that young people's problems will be solved in a principled and fair manner.

The Young Person and his Place in the Workforce as Steward of Socialist Property

The workforce is getting new functions now. Its role in overall socioeconomic life is rising still more. The question is: What will be the Komsomol's place and role in this process?

Komsomol activity must help each boy and girl thoroughly grasp the new role of the workforce and must form an active attitude in them towards the expansion of labor democracy, acquainting them with specific ways and systems for the development and manifestation of youth creativity and initiative.

The Komsomol association and organization must stimulate and defend innovation, must spur bold ideas and suggestions, must form a sense of duty to the workforce and society as well as conscientious discipline, and foster the full enlistment of the younger generation in production and labor relations under conditions of the application of the new Labor Code.

#### Growth of the Young Person as an Active Factor in Political Life

The extension of socialist democracy and the expansion of socialist self-government disclose new opportunities even before the sociopolitical realization of youth's potential.

Under present-day conditions our union must strengthen its position as the political organizer of full youth participation in the development of socialist democracy and self-government in workforces and conurbation systems, in the organization and leadership of political life.

But we can achieve this only by raising to a higher level our activity for the formation of broad political knowledgeability, mature political thought and conduct so that in political life young people will actively and effectively, responsibly and self-exactly defend what is new and progressive and champion an active political position in the implementation of party strategy.

#### The Young Person and Full-Fledged Contribution in Spare Time

Under conditions of qualitatively new growth the objective necessity of full utilization of spare time is accentuated. On this score the problems are many. It is essential to create comprehensive preconditions for the development and use of the younger generation's mental and physical forces through sensible recreation and pastimes, through mass endorsement of a healthful mode of life. We should work to make sport and tourism the in-thing and a vital necessity for every young person and to halt the trend towards an increase in tobacco-smoking and the use of alcohol.

Komsomol activity must create conditions for a creative contribution and full communion with the sphere of culture. We must call a halt to showy events and give full scope, on sound ideological and esthetic foundations, to genuine youth initiative and to young people's natural inclinations and interests. This is the way to overcome certain negative features and defects in the spare time of some young people. On this basis the Komsomol association and young people themselves must become active factors in the campaign against them.

Comrades, the Bureau of the DKMS Central Committee is convinced that with such an approach to the definition of the subject matter of Komsomol activity we shall more fully take into account and conform to the realities of youthful

life, to youthful needs and interests. And at the same time we shall influence and mold them to be one of the fundamental means for inculcation and development of the young person. On this score, too, we find ourselves in a new situation. Qualitative growth more and more will energize their development and lead to the appearance of new processes and features among young people.

Under the conditions of qualitatively new growth the requirement set in Comrade Todor Zhivkov's letter to the DKMS Central Committee of a comprehensive approach to the inculcation of the young person must be reinterpreted from up-to-date perspectives. The "sectorial limitedness" now existing in the structure of Komsomol activity is not just becoming an anachronism, but is totally at odds with social needs.

The point is not for us to renounce the necessary and useful degree of specialization, but not to forget that specialization takes place on the basis of the integrated character of our work, that the differentiated approach makes sense only within the limits of the comprehensive approach.

Does it not often happen that we see young people through the prism of our individual "fields" as participants in the activities "industry"? The outcome is that in our activity they are not living, whole personalities, but are only present in one form ("event") or another.

We must solve one of the important problems of the present stage in the development of the Komsomol, namely, the creation of conditions and preconditions for the combining and synthesis of activities by means of which youth is trained and proves its worth. In them the many-sided life of youth itself must pulsate and youth's multifaceted activity and striving to contribute to the New must find rich soil. Instead of the principle of "activity--participant--assessment" we must affirm the principle: "problem--solution--appraisal." Then our activity will not cramp and dry up youthful life, but will take on attractive power and romance, will ignite youthful fire and enthusiasm, youthful daring.

We must also give meaning to the formulation by Comrade Todor Zhivkov's letter of quality criteria for the development of youth and work with them in Komsomol activity. Under present conditions these criteria take on a new meaning. The individual's intellect and creative contribution, his capacity to be an active renovating force in public life have a central place in them.

In the course of preparations for the 15th Komsomol Congress, as central, okrug and obshtina committee, we must clearly decide, not only for all youth, but also for every okrug and obshtina, for every Komsomol association and organization, what the concrete goals are, what the results are towards which we are striving, what we expect from young people, from work with them, from Komsomol activity.

We must understand completely that the issue here is not "intracommittee" criteria, but objective qualitative criteria involving the development of youth and the realization of their potential--criteria which, as the Letter points



out, are "a guide for action and at the same time a measure of things, a standard for the correct appraisal of what has been done," for we may have held a fine exhibition, but have no TNTM [Youth Technical and Scientific Creativity] Movement. We may have conducted a satisfactory political competition and there may be no change in the level of young people's political thinking. We may have prepared a timely plenum and the problems, in final analysis, remain unsolved.

Quality criteria must be incorporated both in planning and in organization and leadership, as well as in the appraisal of Komsomol activity. The guiding principle must be to create conditions and preconditions for the multifaceted inculcation and development of the young person.

The next basic question is the conducting of Komsomol activity in conformity with the precept of self-governing systems.

The wide-scale application of socialist self-government is an essential feature at the present stage. The formation of self-governing organizations will give the lead for changes in the political superstructure, including the Komsomol. In the activity of these organizations, more and more all the factors--economic, social and cultural--on which human activism and development depend will be combined. On these, structures will be formed that rule out guardianship and intervention in their operation.

What are the main aspects of this question for the Komsomol?

The first aspect is the role of the Komsomol association in the self-governing organization.

The former must create much wider opportunities for the multifaceted development and contribution of its members. In other words, its field of personal concern, activity and responsibility must be expanded. There can be no problems relating to the training, inculcation, and realization of the potential of young people regarding which the voice of the Komsomol association is not heard. Not only must its voice be heard, it must also influence their solution.

This does not mean that Komsomol units in self-governing organizations will assume functions and tasks not properly theirs. They must gain recognition as a political factor, as a motivator and organizer of youth initiative, and as a political guarantor of that initiative's unfolding and implementation.

The point is the correct definition of the rights and responsibilities of Komsomol associations and organizations. The point is no longer our participation in solving the problems of youth. What is necessary, along with other factors in self-governing organizations, is that we guide this solution and assume concrete responsibility in the execution of the decisions made.

In a number of activities the Komsomol itself or jointly with other bodies also performs certain managerial functions--TNTM, youth centers and clubs, sports and athletic activity, etc. The point is that to an ever greater

degree the governance of specific youth activities within the framework of self-governing organizations should be accepted as youth self-governance.

Social control over the solution of youth problems must come to the fore in the activity of the Komsomol association and organization. The results thereof should be widely discussed, with timely seeking of party assistance and support. Apart from the "feedback" function, Komsomol control must more and more gain recognition as an important factor in the decision-making process and lead to the generation of ideas and suggestions. Komsomol control staffs and posts must be reorganized as full-fledged auxiliary agencies of Komsomol committees for social control as well.

The tasks that we set ourselves we can achieve by creating better conditions for the recognition of the young people included in administrative bodies as full-fledged and competent spokesmen of the public opinion of youth.

These problems have to do with the comprehensive reorganization of the state and public machinery for working with young people. It will be advisable before the 15th Congress to make a survey and analysis, on the basis of a wide-scale referendum, of the current normative procedure for working with youth and to formulate suggestions for its improvement. The improvement must provide guarantees for the full exercise of the Komsomol's rights and obligations in the new stage.

In this survey it is important that the DKMS Central Committee, jointly with agencies and organizations of the economic front, of culture and education, work out new machinery and instrumentalities of coordinated action. At the same time we must assess the different position in which they find themselves and the specific resources the associations and Komsomol organizations have at their disposal at VUZ's [institutions of higher education], at schools, at enterprises and combines, at agroindustrial complexes, at scientific institutes and technological centers, etc., as self-governing systems.

The second aspect concerns the rights and obligations of the Komsomol association itself for decisive enhancement of its role and significance in intra-union life.

We must reinterpret the principles on which the association now functions with a view to their further enrichment and development in keeping with present-day changes and requirements. We refer to the qualitatively new level and qualitatively new form in which initiative and self-government will be crystallized into an indivisible unity.

It no longer suffices for the association to make known to young people the tasks of society and to mobilize them for the accomplishment thereof. The requirement coming to the foreground is that only the association determines and concretizes its tasks in keeping with party goals and on the basis of the specific approach and place of the DKMS. In this way it becomes both a catalyst of its members' creative thinking and action and a nucleus of social creativity in the youth union.

The association must set itself such, and only such, goals and tasks as derive realistically from its place in the workforce, from the needs and interests of its members. Only thus will it be able to bring young people's personal aspirations and ambitions into conformity with social needs and realistically help them find their field of contribution and realize their potential in social life.

A new degree of self-organization and responsibility of the Komsomol association is needed. The spontaneous factor in its life must not make us uneasy. Actual self-organization is erected on this. And the way out is not for us to place our organizational rubber stamps or bury Komsomol members under scenarios and procedures for their work, but to acquire the ability to give full scope to young people's initiative, to gain command of them and guide them politically. This is the school-leaving certificate today for the association and for all who create the conditions of its activity.

We need to create these kinds of organizational and political conditions and preconditions and to reorient in this way our activity in training and inculcating active Komsomol members; we need to create an atmosphere and organizational machinery such as will eliminate guardianship and intervention. The Komsomol collective must be accorded all intraorganizational rights and resources in respect of its own territory and the responsibilities deriving therefrom. At the same time, there must be guarantees that the questions raised by the boys and girls will find a place in the agenda of the superior committees and other competent authorities. The right thing will be to grant rights and create effective machinery for controlling the association and organization to superior committees and other intermediaries by whom the solution of youth problems is governed.

None of this lessens the role of centralism in intraunion life. Komsomol committees must, however, adjust themselves to being agencies of Komsomol self-governance in its new dimensions and must elevate the political character of the leadership they exercise.

This is the third aspect of the question of bringing Komsomol activity into conformity with the principle of self-governing systems.

In setting goals and formulating tasks and in exercising political control over them, they must create wide scope for the initiative and creativity of local links in defining their specific tasks and the ways and forms of solving them; and they must rely on this initiative and encourage it.

This is the way in which the essence of Komsomol activity--the communist inculcation of the young person--will unfold under the new conditions. The Komsomol is not and cannot be some separate force that inculcates youth "from above"--"from on high," so to speak. It is precisely in joining in socially significant activities that a young person satisfies and develops his needs and interests and grows as an individual.

In order to implement this policy, Komsomol committees must disengage themselves from duties not properly theirs, must rise above administration and

the taking away of functions from the local links. We must simplify their structure on a "problem" basis. The right thing here and now for the study and solution of individual questions will be to experiment with a planning-and-budgeting organization, with the creation of flexible dynamic links. Why, for example, not grant Komsomol committees, on the basis of generalized parameters and requirements, the rights independently to determine their own structure, allot their own resources, etc.?

They must prove to the fullest their worth as officials of representative intraunion democracy. At present, in many places our elective officials are replacing those who commissioned them.

Komsomol work must be conducted resolutely and comprehensively on a public basis; divergence between the machinery and the elective activists must be overcome. Self-governance in the DKMS is first and foremost a strengthening and comprehensive development of the public principle--from the association committee to the Central Committee. The issue here is not just to curtail and reorient tables of organization, but to enlist youth itself vigorously and nationwide in the leadership of Komsomol affairs--in final analysis, to overcome passivity in the plenums of the DKMS Central Committee, OK's [okrug committees], ObK's [obshtina committees].

On this score the responsibility is, first and foremost, ours--that of the committees and key personnel. Everybody must understand that there is no room in the Komsomol for bureaucrats, that it is an organization of youth, that the table-of-organization workers are promoting and creating the preconditions for expansion of the public principle.

The Komsomol machinery must ensure--methodically, organizationally and practically--the development of the public principle. Measures are needed everywhere to improve the forms of direct intraunion democracy.

All this necessitates our seeing in a new way the application of the principle of democratic centralism in the Komsomol and the concretization of that principle through the agency of our intraunion machinery for the following: planning; selection and rating of cadres and active members; intraunion information; functioning of managerial officials; intraunion control; financing, etc.

Taking accumulated experience and traditions into account, we must prepare comprehensive intraorganizational Komsomol instrumentalities under present conditions. We shall solve this problem along fundamental lines by preparing changes in and additions to the DKMS statute and the Central Committee instructions. In the course of the creation of these instrumentalities we must mold the present-day thinking and attitude of Komsomol cadres and activists, of every young person, regarding the supervision of Komsomol life and participation therein.

The third basic question is the young person's attitude towards labor and the realization of his labor potential.

It is no secret that on this score there are acute problems, even distortions. Many young people do not get a job in the specialty they studied. There is an

exodus from occupations vitally necessary for the national economy. Applications to UPK's [personnel training administrations] and VUZ's are indicative. There are quite a few young people who neither study nor work.

These problems are especially exacerbated now, from the viewpoint of the demand for qualitatively new growth and under conditions of society's limited labor resources. On growth, all aspects of our work--ideological and moral, as well as physical education--are focused.

The fateful question is how youth will prepare for an occupation; moreover, not for an occupation in general, but for an occupation that will meet the criteria of qualitatively new growth. We refer to the new quality of labor, new qualities which the modern labor process requires. We mean the necessity of molding a new type of worker, capable of working under conditions of the scientific and technical revolution.

This is a big ideological, political, moral and psychological question. It touches also upon the family, the school, the workforce, the Komsomol organization, the activity of a number of state and public agencies. Therefore this question may be one of the central questions in our pregress discussion.

At the same time we must without delay take up several specific problems.

Okrug, obshtina and local Komsomol committees, jointly with interested intermediaries, must create conditions for systematic and genuine enlistment in socially useful labor.

The problem is not new. Now we must cast light upon the specific capabilities of school and family, the Pioneer and Komsomol organizations, and the workforce to solve it. We must spell out the forms and proportions in which study will be combined with a specific kind of occupation; the integration between labor during school time and out-of-school time will be intensified within the educational institution and outside it.

Quite a few Komsomol associations and organizations have built up interesting experience and useful initiatives involving the labor initiative of children and young people. Enterprises, interschool centers, agroindustrial complexes, stores and service shops have set up Komsomol workshops, sections, production lines. We must summarize this experience, publicize it and give wide recognition to Komsomol and Pioneer labor associations where young people are indoctrinated and trained as managers, where they form work habits and skills, economic and organizational knowledgeability, and learn self-governance.

As for the brigade movement, it must make its way more widely into both industry and the services, with opportunities sought and provided for a brigade tieup with production probationary periods and practices. The proportion of specialized brigades and small brigade groups, including those for the production of software and goods and services for the public must grow sharply. We must decisively endorse the economic approach, heightening the personal interest of brigade members and economic organizations in the final results. In

order to create better conditions for the solution of these questions, a decree of the Council of Ministers is also being prepared.

We must energetically and resolutely undertake the task of putting young people to extra work by the hour in their spare time. Young people want and are able to put in such labor in occupations that they master in physical production and services, in education, culture, health care, environmental protection and renewal. The Komsomol can be one of the initiators and organizers of this extralabor and help create the conditions--dynamic organization, effective incentives, appropriate workplaces.

Jointly with our counterpart bodies, we must also fully solve the question of nonstudent and nonworking boys and girls. We must switch from crash actions and campaigns to single-minded work. In this work we must take more fully into account that this question is not exhausted merely by "placing" a young person in an enterprise. Much more concern is required for his familiarization with the life of the workplace, as well as the creation of the preconditions for him to prove his worth, for his education, and for him to qualify.

Generally speaking, the formation of a new work attitude in a young person is possible only on the basis of an effectively operating system of job training and vocational guidance that takes into account not only the occupational traditions of the Bulgarian people but also new trends in the subject matter and organization of labor.

In this connection, jointly with the Central Council of Bulgarian Trade Unions, the Ministry of National Education, the Committee for Labor and Social Work, the State Research and Technology Committee and with other interested bodies, we must reorganize the existing links for job training and vocational guidance. We must tie up their activity not only with the present needs of the national economy, but also with the most promising occupations and technologies that will determine the image of our economy by the year 2000.

Comrades, it is the assessment of the DKMS Central Committee that intensification of the reorientation of our activity under conditions of qualitatively new growth entails the creation of conditions which will lead to the all-round unfurling and utilization of the younger generation's mental, intellectual and physical potential. The decisions and forms of Komsomol work must contribute to an opening of the floodgates and a multiplication of young people's social energy and creativity, to an elevation of their activism and initiative to a new level, to the changing of the young person into a subject of both social changes and his own development.

## II. Some Immediate Practical Tasks

Comrades, the main thing now is to turn the days before the DKMS Congress into days of shock work and study, of high organization, responsibility, order and discipline.

The Bureau of the DKMS Central Committee believes that an all-youth competition for undertaking and implementing the decisions of the 13th BCP Congress and

for worthily greeting the 15th DKMS Congress must be launched on a wide scale as an inseparable part of the nationwide socialist competition in order to accelerate the pace of the country's socioeconomic development.

What must be foremost therein?

--Heightening of the personal responsibility and initiative of every young person.

--Approval of a differentiated approach to individual youth detachments.

--Competition to be conducted and reported on in local Komsomol organizations and Pioneer bands; the competition must be one of people rather than of indicators; the creativity of boys and girls to be encouraged.

In final analysis, by means of the competition individual work must be intensified, the prestige of the Komsomol association and organization increased, and the level of Komsomol activity raised. It is in this that we see the political sense of the competition.

The young working class, specialists and scientists must set the pace. Their immediate task is to make a significant youth contribution to the accomplishment of the yearly plan and to create the preconditions necessary for a successful start on the Ninth 5-Year Plan.

But this requires a campaign for the following: an increase in labor productivity; the production of quality output; economy in raw materials, supplies and energy; an improvement in the organization of labor; the elimination of "bottlenecks" at every workplace; a strengthening of labor discipline and the curtailment of the process of unwarranted labor turnover; a full production-capacity load and full utilization of work shifts.

In Komsomol associations it must be made clear that the paramount resource and factor in the retuning of our economy to a new pitch is the creation of organization, order, discipline and responsibility everywhere.

Before the 15th DKMS Congress, effective measures must be taken for the reorganization of youth workforces. This reorganization must reflect the structural changes that have taken place since the reports and elections of collective self-governing bodies; must create conditions for the conversion of young workforces into a model of up-to-date organization and high labor productivity, into shock teams for acceleration of the pace of economic growth and the employment of advanced technologies, of the most up-to-date scientific and technical breakthroughs; must prepare youth for the integral enforcement of the new Labor Code and Regulations on Economic Activity.

The stage where we find ourselves dictates a new practical direction and subject matter of Komsomol patronage and sets high requirements for endorsement of its effective political character.

We realize that with the present approach and the present forms alone we shall not succeed. We need specific work in the Komsomol associations and organizations in order to get the young person into an active posture.

The main thing in our activity results from the structural reorganization and technological reequipping taking place in all sectors of the national economy through the adoption of technological systems and flow lines. This is a revolutionary deed. The subject matter of Komsomol patronage under these conditions will be, as follows:

--electronization on the basis of the synthesis of microelectronics with industrial technologies. Here patronage must shift from individual parts, machines and structural elements to the creation of manufacturing flow lines and entire computerized integrated production processes;

--the construction of the first large-scale production processes based on the utilization of up-to-date biotechnologies;

--the development of fundamentally new technologies for the creation and use of new raw materials and supplies and a new component base for electronics and for other promising sectors for our economy.

The key role for the technological reequipping of the national equipment falls to the technological centers.

They have initiated the building of a comprehensive system for the transfer of technologies. It is a matter of an organization to integrate the efforts of scientific, research, educational, design, production, commercial and other elements for the accomplishment of comprehensive tasks in the technological reequipping of individual production processes and entire sectors and for technological breakthroughs into strategic areas of scientific and technical progress. It is a matter of concentrating and combining diverse functions: from idea to application and transfer of the technology in question, creation of specialized equipment, training of highly skilled personnel, and the setting up of schools for the development of modern technological areas. Hence it is a matter of a form that will guarantee a qualitatively different type of relation and level of interpenetration between science, personnel training and production.

We must determine our place in the building and activity of the technological centers. This is a fundamentally new task now facing us.

Along what lines are we seeking its solution?

--Through the TNIM movement by way of the realistic participation of young creative teams in the development of ideas and solutions on the basis of new advanced technologies.

--Along the line of coordinating and integrating the efforts of the Komsomol organizations of scientific institutes, educational institutions, enterprises, etc., that are participating in the setting up of technology centers for solution of the problems related to job training, vocational guidance and the education of the younger generation.

On this score conditions must be guaranteed for familiarizing youth with the peak achievements of scientific and technical progress; preconditions must be



created for realistic participation in the solution of specific scientific production problems through full utilization of the facilities and resources of the technology centers.

--By wide application and development of the experience that we have in the creation and work of associations and links on the associative principle for the development, introduction and multiplication of advanced technologies. We must reorganize the activity of Avant-Garde IVSD [not further identified]. In this connection, before the 15th DKMS Congress we must establish normative and organizational preconditions for its growth into a national youth center for the accelerated introduction and transfer of technology. It must focus, as a matter of priority, on the solution of immediate problems in the branch echelons involving the adaptation and multiplication of technologies and the electrification of the national economy.

On the basis of accumulated experience we must significantly improve activity in instructing teenagers and young people to work with computer equipment. Computer clubs must be strengthened in respect of materials, organizations and methods. More and more they must gain recognition as centers for creative ideas and technological thought; they must be integrated with scientific, production and educational links, with the latter's facilities and resources utilized for technological training, and in return they shall be provided with software. Computer clubs must also be cultivated in the long term as the latter's own technological base of the TNMT movement.

The Bureau of the DKMS Central Committee is convinced that okrug and obshtina committees, jointly with state and economic bodies, have the ability and the resources to attract young people into the production of consumer goods and services for the public, into the "industry for mankind." Here there is a wide field for expression of our initiative--ranging from the reconstruction and modernization of existing capacities to the building of small enterprises for the production of new high-quality goods and services for the public; from the announcement of competitions for the creation of cheap and competitive goods to the introduction of new forms of commercial and domestic services. We must widely disseminate the favorable experience for the formation of standard youth teams in the sphere of trade and services.

The question of the educational and skill level of worker youth also confronts us with exceptional acuteness. The condition on this score is well known. We have adopted repeated resolutions. Now on the basis of a new normative regulation in preparation and on the basis of the new economic mechanism and PSD [not further identified], we must establish an organization that will solve the problem. More specifically, during the preparation of plans each association must clarify the needs for continuing education and training in keeping with a new product mix and the modernization of production capacities. This question must be taken up in a direct report of the Komsomol committees, jointly with the trade union authorities concerned.

Young agricultural workers must focus their efforts on the mastery of modern technologies of agricultural production. Komsomol organizations must become an active party in the solution of social-welfare and cultural problems, for

the limitation of migration processes and for keeping young people in rural Bulgaria.

In Komsomol organizations at institutions of higher education the chief thing is to form an aspiration to scale the heights in one's chosen specialty and to create a new type of specialist with a higher education, capable of working under the conditions of the scientific and technical revolution.

During the precongress period the quality criterion for our organizational and political activity at VUZ's will be timely graduation and job placement according to one's speciality. Implacability must be created towards young people who postpone completion of their education and timely job placement. This question takes on special significance now under conditions of profound changes in the economy on the basis of scientific and technical progress.

Student youth must gain recognition as an important factor in the reorganization of higher education. This task has many aspects. We must now grasp and master the problems involved in formulating the new academic subject matter, in introducing three proficiency levels of instruction, in recognizing institutions of higher education as multidisciplinary teaching-and-scientific and production centers.

There must be a change in the idea held by students, teachers, VUZ heads and economic managers regarding the role and importance of student scientific-research work. Substantial changes must take place in the planning and organization thereof, with conditions created for students to be brought face to face with specific scientific production problems from the very first year.

In the case of secondary-school Komsomol associations and organizations the focus of attention must be the formation of ideological, moral and vocational traits of the new type of worker; a campaign for skills and full-fledged labor inculcation and training for the realization of one's vocational potential; sharp limitation on the number of laggards and minimization of the number of dropouts.

On the basis of the integration of science, culture and education we must continue to seek high-quality changes in activities outside the classroom and outside the school. We must maximize reorganization of the structure and subject matter of institutions outside the school.

Along these lines we should preferentially promote forms for training in mathematics and informatics; we should give an opportunity for creative growth and expression and for the generation of technological thinking. We must foster on a wide scale students' joining into creative teams in order to solve real scientific and production problems and in order to familiarize themselves with labor.

The role of Komsomol organizations in schools must be elevated, and the role and direct participation of secondary-school children in the organization and control of common-school life must be ensured.

Pioneer detachments and bands must place emphasis on the enrichment of Pioneer life and on the further creation of conditions and preconditions for the expression of the child's creative qualities and talents. The activity of the Septemvriyche DPO [Dimitrov Pioneer Organization] must be grounded on a broad independent basis, and Pioneer self-governance must be expanded.

The Komsomol leadership of Pioneer detachments and bands must aim at the eradication of formalism, ostentation and stereotypy in their work and must foster the development of Pioneer initiative. We must support and publicize specific initiatives that originate in Pioneer detachments and bands before the 15th DKMS Congress.

A fundamental task facing all youth detachments in the course of preparation for the congress is the high-quality reorientation of the TNIM movement. We have memorable traditions in the movement's development. But today profound changes must be made in keeping with the resolution of the Political Bureau of the BCP Central Committee of 19 April 1986. A national conference on this question is impending. A special decree of the Council of Ministers is also in preparation. Therefore we shall not elaborate upon it in detail here.

We must, however, realize the definite importance of the functions and role of the movement as a school for training the entire younger generation for the present-day stage of the scientific and technical revolution. By means of it children and young people, boys and girls, must come to know and strive to achieve the world-class level in science, engineering and technologies. They must fashion within themselves a new and valuable system and criteria for the appreciation of what has been achieved. They must learn to think creatively, to generate ideas and test them in practice. Our efforts must center on moving away from impressive appearances to mass creativity in schools, institutions of higher education, workforces.

The above-indicated practical tasks do not exhaust the total diversity of the activity of Komsomol associations and organizations during the precongress period. What is essential is that every Komsomol association and organization must, subject to specific conditions, come out with its own initiative, take the lead itself in determining the image of Komsomol activity, must mobilize youth for specific deeds. This is the heart of youth competition.

### III. Approach to Organization of Reports and Elections during Preparations for 15th Komsomol Congress

Comrades, an especially critical period lies ahead of us. Reports and elections are impending in the Dimitrov Komsomol. A good opportunity is created for the spirit and substance of problems and tasks to reach Komsomol associations and organizations rapidly and to be the center of report-and-election meetings and conferences.

What is distinctive about the impending reports and elections?

--They are the first in our union since the 13th Party Congress and will be held in the atmosphere of a nationwide campaign for the accomplishment of the 1986 socioeconomic targets and for a successful start on the Ninth 5-Year Plan.

--They are held after the elections of agencies of state authority and the collective agencies of self-governance.

--They coincide with the entry into effect of the new Labor Code.

--They are a full cycle of reports and elections which will culminate with the holding of the 15th DKMS Congress.

What do we expect from them?

To begin with, that they create a new climate, a new atmosphere in the Komsomol associations and organizations among the young people. It is a matter of holding of frank dialogue about the actual status of vital youth problems and DKMS activity.

Youth problems must be disclosed and raised, just as they are, without evasion or glossing over. Not a single question that bothers the individual Komsomol member and Komsomol association can or must be left unanswered. Not a single essential aspect of the life of young people and of the activity of the youth organization must be passed over.

The dialogue will enable us to see the positive and the negative aspects. It may come to a clash of opinions, of different viewpoints. We must not fear this. All sides must take part in the dialogue--young people, parents, teachers, mentors, economic managers, representatives of state agencies and party committees.

What is needed is a dialogue through which:

--the initiative and responsibility of the individual young person in the setting and meeting of targets are elevated;

--the independence and self-governance of Komsomol associations and organizations will be promoted;

--the reorientation of Komsomol activity will be accelerated and the life of youth as a whole will be brought into a new state corresponding to the profound changes in society.

The reports and elections must transpire in an organized and businesslike manner, without showiness and hullabaloo, without perfunctoriness or declarations. We must oppose an impersonal approach and must overcome the conflict we encounter between words and deeds. We do not need "smooth" speeches, ends in themselves and play-acting, bombastic phrases.

Generally speaking, what is needed is that by the impending reports and elections we indeed intensify the democratization of intraunion life at all levels.

Our aim must be to put the young person in the position of an active subject of Komsomol work and create full scope for his initiative and creativity.

Our activity now is not tuned to this pitch. It is conducted rather "from the top down." Initiative "flows," in the main, from the leadership to Komsomol members. A different approach is needed, namely, the creation of an atmosphere and of conditions, figuratively speaking, where the "electric current" will flow "from the bottom upwards"; the pyramid of initiative must be turned upside down so that the young people and the Komsomol associations will be its base.

This calls for a change, and a substantial change at that, in the style and methods of leadership, and more specifically of the leadership of reports and elections, on the part of obshtina committees, okrug committees, and the DKMS Central Committee. We must break with the prescription approach with many decisions and instructions. We must eliminate regulation and guardianship and master the art of stimulating the capacity of the Komsomol collectives themselves to raise and seek ways to solve problems.

The activity report and the draft resolution will set the tone of the report-and-election meetings and conferences. We must realistically assess what has been done in execution of Comrade Todor Zhivkov's letter to the DKMS Central Committee and the 14th Komsomol Congress. It is proper to define new targets and specific ways of meeting them, as well as the responsibilities of every young person.

It is especially important that the materials be prepared collectively. They must summarize young people's ideas and suggestions. The Komsomol committees must consult widely with Komsomol members, must organize beforehand discussion of the questions, and engage the public opinion of young people. Reports and draft resolutions must correspond to the spirit of the time, to the fundamentally new problems that society is solving and, of course, to the specific problems in the associations and organizations. In them the perimeter of criticism and self-criticism must be expanded, these being an essential factor in the moral inculcation of the young person and in the reorientation of Komsomol life.

The elections of new Komsomol leadership are an essential feature of the impending campaign. These must be conducted on a broad democratic basis. It is high time for us to stop imposing on youth decisions made in advance and suggesting one or another of these to them. It is the right of Komsomol members freely to nominate, discuss and elect their own activists. There is no need to recall the behest of the Letter: "There is no room in youth work for anybody who does not understand that the elections in the Komsomol are not conducted 'from the top downwards,' but 'from the bottom upwards,' and that the DKMS is an organization for youth itself." The main thing in the election of activists are the personal qualities of the young people and their prestige among their comrades. The youth leader today is a front-ranker in labor and studies; possesses creativity, innovativeness and initiative; is able to carry on dialogue, to grasp problems and stand up for their solution.

In the course of preparation for the present plenum a wide range of key personnel and activists, as well as rank-and-file Komsomol members from various youth detachments have been consulted. Various opinions have been voiced and a number of suggestions have emerged. Common to these is the desire to eradicate formalism and intensify the democratic spirit.

To be sure, this will not be an easy job, nor will it happen all at once. The important thing to understand is that, willy-nilly, the objective course of affairs necessitates our reorienting ourselves. Otherwise we shall lag behind and fall out of touch with youth.

What, for example, prevents the draft ballot commission from offering us not only one, but also more candidacies for secretary of the DKMS DK [association committee] if this is necessitated by the preliminary discussion?

The Bureau of the DKMS Central Committee suggests that report-and-election meetings and conferences discuss representatives to higher Komsomol committees from the bottom upwards. This in practice means that candidacies for members of future obshtina, okrug and Central committees of the Komsomol will be discussed in advance in local, obshtina and okrug report-and-election conferences respectively, and only then nominated for election by the higher body.

The main thing is that we introduce into practice nationwide discussion in the associations of candidacies for higher committees, as well as the job rating of Komsomol key personnel.

Other proposals can be discussed now before the congress.

This broad democratic basis requires that elections take place in an atmosphere of great political maturity and high-mindedness, exacting standards and collectivism.

A decisive condition for the success of a report-and-election campaign is intensified advance preparation.

It must begin with our entire active membership and extend to every Komsomol member. This requires that, under the leadership of the okrug committees and obshtina committees of DKMS, all key personnel and activists, all Komsomol associations, grasp the trends and requirements set in today's plenum and that they be helped to see the specific ways of implementing them.

The necessity of working with every member of our union, with every young person, is coming to the fore. To this the procedures of the April inspection of individual work are bound to make a full-fledged contribution.

We regard the attestation of Komsomol members as an opportunity for rating their activism, initiative and responsibility; for conversation about their problems, needs and interests, for their ideas about the determination

of their future assignments. Every Komsomol member must understand why he is in the Dimitrov Komsomol and how he can help his organization.

This dialogue must orientate towards the subject matter of the impending activity and cast light on the burning youth problems of the day. The proposals, recommendations and ideas of youth, summarized and discussed, must become the "problem" basis of the report-and-election meetings.

In the attestation of the Komsomol associations and organizations we must discover the problems in the work, the unsolved questions and the reasons therefor. We must point out the ways of eliminating everything that pulls us backwards. In these ways there must be no room for panegyrics or attempts to conceal the true state of affairs behind general phrases, but rather attempts to seek the roots of the deficiencies. At the same time we must also point out the real assistance rendered to the association and organization by higher Komsomol committees.

The reports of the association committees and the local committees must rate the activity of each of their members, while those of the obshtina and okrug committees must rate the activity of the members of their bureaus, including the secretariats and first secretary. What must emerge clearly here is the relationship between Komsomol functionaries and youth and whether they are acquainted with, and contribute to the solution of, youth needs and interests. Their ability to carry through what they start must be exactly analyzed; an evaluation must be made of the extent to which their words are matched by their deeds.

We must employ the same approach as well to the evaluation of the work of our representatives in agencies of social administration. Each one of them must give a report on his work. As for newly elected people's representatives and people's councilors of youthful age, they must also be set specific assignments. The meetings and conferences must set much higher criteria, make higher demands and exercise greater control over the activity of the young representatives to agencies of social administration, over their initiative and competence.

Of essential importance in the advance preparation are the meetings of youth collectives and the administrative and pedagogical leaders. In the period since the 14th Congress we have built up interesting experience in this regard. We must now evaluate it objectively and look at it under the new conditions. We must study widely the public opinion of youth, get an understanding of the questions to which young people want to have an answer from the administrative and pedagogical leaders, and pose them for their attention. The task does not refer only to holding such meetings, but also to what change takes place after them; how the needs and interests of young people are championed and how their problems are solved. We anticipate that in the impending reports and elections these meetings will contribute to a definition of the place and role of Komsomol associations and organizations in self-governing organizations and illuminate for young people the problems that the collectives are going to solve.

The key factor is the timely consideration and solution of the problems brought up by the young people. Whatever lies within our power must at once become part of our practical work, while towards whatever depends on other factors initiative and persistence must be displayed. Within the framework of the impending report-and-election meetings and conferences in the course of preparation for the 15th DKMS Congress we must create failure-free machinery for summarizing the ideas and suggestions of the young people and putting them on the agenda of Komsomol committees and of party, state and public bodies. The reports and elections are an appropriate occasion also for making a survey of our work with regard to requests, complaints and warnings, as well as of critical comments made by young people.

The effectiveness with which reports and elections are administered depends to a significant degree on the provision of timely, objective and adequate information about the course of the meetings and conferences. The information must be an instrument for leadership that will reflect not only how many meetings are held, not only how many people were in attendance at them and who was given the floor, but first and foremost the problems raised, the spirit and tendencies of youth activism.

Under the new conditions the role of audit commissions increases to a still greater extent. Therefore we must discuss their status meticulously, outline their reorganization, and see to it that they are staffed with experienced and competent key personnel and activists. From audit-commission inspections we expect a critical attitude towards our practices; a correct reflection of the deficiencies in our organizational life and financial activity and, simultaneously, popularization of favorable experience; and new constructive ideas about the work in the future.

Youth mass information media are called upon to play an important role in reports and elections. They must become spokesmen of youth public opinion on the pressing problems of our development and on Komsomol activity. Through the dissemination of information and promotional materials they must prove themselves as powerful means for unleashing the creative activity of youth. We expect them to support the favorable, and help overcome the adverse, aspects of the life of the younger generation. Generally speaking, frank and open dialogue with youth must also be conducted.

Intensification of the democratization of Komsomol life must be accompanied by the elevation of initiative and responsibility in every Komsomol association and organization. And this is in the hands of the Komsomol cadres and active membership, and depends on our work style and methods.

The period ahead will be a test for us. A test of progressive maturity. A test of creative innovative thinking. A test of our ability to be among young people. A test of our ability to fathom and perceive the main thing the party requires.

Comrades, these are the most important directions and tasks during the period of preparation for the 15th DKMS Congress. No doubt they will become



the basis of intensified debates, creative searching, bold experiments and initiatives, and constructive decisions.

In the Komsomol associations and organizations talk will extend over a wide spectrum of problems. We shall attempt to take all this into consideration during preparations for the 15th Congress. We shall prepare responsibly for our congress, without superfluous words, with energy, with actual deeds.

The time in which we live demands this. A time of historic changes, of revolutionary deeds, a time fateful for the future of mankind. In the present complex explosive international situation the Reagan administration refuses, as the Reykjavik meeting likewise showed, to accept the new political realities in the world, the radical proposals of the Soviet Union to heal international relations and strengthen peace on earth. That is why our active political stance and the full mobilization of resources is of extreme importance in order to carry out the scientific and technical revolution and achieve qualitatively new growth. Only thus shall we remain invulnerable to imperialism's economic and nuclear blackmail.

We shall carefully scrutinize, as hitherto, the rich experience and new quests of the VLKSM [All-Union Lenin Young Communist Union], as well as the practice of the other fraternal youth unions.

The main thing in our approach to the 15th DKMS Congress is that discussion must take place. In practice this means that we shall prepare the report, resolution, changes in the statute of our union, and in general the materials as a result of the discussion that will unfold among the youth. We shall apply on a wide scale modern forms of researching youth public opinion. In this way we shall strive to guarantee close familiarization with youth problems and an assessment of the changes that must ensue in Komsomol work. What is important is how youth sees its organization, what proposals there are for its updating, and how it perceives its participation in this process.

At the same time we must show up at the congress with concrete results in effecting the reorientation in labor and studies. But this active stance of the young person for which we are striving will not be generated solely by the fact that we have raised the question, that we have addressed words and appeals to him. It is the practical changes in approach, in the machinery and forms of work, in conditions that will open the floodgates of actual activity and initiative of the younger generation.

There is no sense in undertaking a campaign to persuade youth that we are going to reorient ourselves. Let the actual changes outpace the words and promises. In other words, our concrete visions of the practical actions that we intend undertaking must be translated into reality, must become deeds. For, as Comrade Todor Zhivkov expressed himself in his concluding address to the 13th BCP Congress:

"One thing specifically that we must overcome now is a Bulgarian discrepancy rooted in our experience. This is a frequent discrepancy between words and deeds, a failure to carry through with our schemes and decisions."

The Bureau of the DKMS Central Committee is convinced that we have the energies and resources to prevent such a discrepancy and are ready to undertake nationwide intensification of a reorientation in Komsomol work and to involve youth in this reorientation. Boldly, actively, and with labor.

6474

CSO: 2200/17

## POPULAR CRITICISM OF PARTY MEASURES REFUTED

Prague TRIBUNA in Czech 13 Aug 86 p 2

[Article by Miroslav Rendl: "Humanism" or Revolutionary Resolve?"]

[Text] I overheard a young woman on the street say: "Well, we are going back to the Middle Ages. Have you read about it?" She was referring to information published in RUDE PRAVO and TRIBUNA about the resolutions of the Central Committee of the CPSU, the Supreme Soviet of the USSR, and the Soviet government designed to reinforce the struggle against the unearned incomes of some citizens. The extreme reaction which I overheard prompted me to think about linkages.

The resolutions include measures which impose stricter punishment for a number of negative acts--thievery, speculation, illegal entrepreneurship, bribery, misuse of office, etc.--with one common denominator: not to tolerate incomes which are not a legal and deserved reward for honest work on behalf of society. The resolutions point out the circumstances which provide the breeding ground for such phenomena (shortages of certain goods and services, poor work organization), and adopt measures designed to eliminate such shortcomings. I could therefore take issue with the young woman on the grounds that she singled out just one facet, merely the "negative" aspect, out of the entire complex of measures. But let us look at those measures from another angle.

Together the resolutions concern a number of fundamental principles and tenets of building socialism. The most immediate is the linkage with the principle of reward according to work performed. Applying this principle is a key element of socialist justice. At the same time, we are not talking about some "mere" moral principle which was perhaps just "thought up" by the classic theorists of Marxism-Leninism. This is a principle of the effective functioning of socialist society. We can see in practice that if it is violated it leads to serious consequences not only in morality, but also in politics and, in the long run, the economy.

But in practice is it possible to uphold this principle, so to speak, without punishment? Sometimes it seems to me that a lot of people think so. Of course, they never say so openly. They act under the premise, for example, that changes in thinking have to be achieved by ideological education. As long as they do not mean it just as a phrase, their thinking goes something like this: "We have to convince everybody through the strength of our

arguments. Particularly those who violate socialist morality, often legality as well, and thus not infrequently besmirch the name of a party member." Let us leave aside the theoretical question whether such thinking does not subconsciously arise from premises characteristic of philosophical idealism. Everyday life alone sufficiently proves that this thinking is illusory.

But we are not talking only about the ineffectiveness of mere persuasion. Rather, I am asking what is the relationship between what we say and what we do, and whether we shall be satisfied with such a state of affairs? "Unity of word and deed, the most important principle in party and government activities, is also essential in ideological education," according to the new edition of the Program of the CPSU. In my opinion, that means not stopping at words and proclaiming principles but following up with actions which introduce these principles into everyday life and prevent their violation.

If our ideas, principles, and ideals are not realized in everyday practice and in a specific manner understandable to everyone, people will consider them merely as empty words and phrases, no matter how objectively correct they may be. There is a certain law that governs human consciousness. On one hand, its content greatly exceeds personal experiences; a man knows that there are cities, peoples, worlds, phenomena, processes, and things which he has never seen for himself or will ever be able to see. At the same time, this is clearly a part of universal knowledge which he has acquired and made his own. On the other hand, however, he acts according to his own personal experiences. To some of the broad human knowledge he can relate--albeit only remotely and approximately--his everyday knowledge and ideas which matter to him. But what can the man do who observes discrepancies between theory and practice? What should a man think when he sees that "knowing how to elbow his way in a crowd" does more for his standard of living than honest work? The principles of reward according to work performed and the principles of socialist justice become empty phrases for him. He considers an ideology which proclaims these principles to be mere blather.

But socialism cannot prevail if its ideas do not become the belief of the masses. Therefore, it is a hostile act, if attempted by class enemies, to cast doubt on these ideas by compromising them in practice and it is treason if a man entrusted by the party with a responsible function thus debases the building of socialism. The relationship of the working masses to the party and the ideas which it promulgates is shaped by the actions of every party member; of course, the higher the position they hold, the more impact they have on the trust in the policies of the party and in socialism. There is no greater crime against socialism than when a communist in a position of responsibility gives himself the right to act according to principles different from those he proclaims as binding on the masses. The resolution of the Presidium of the Supreme Soviet is justified in imposing higher penalties when laws are broken by a worker in a position of responsibility, a functionary, including the death penalty in particularly severe cases.

Is this a return to medieval cruelty? We lose sight far too often of the revolutionary tenor of our times. We give in to opportunism and liberalism when applying in practice the collectivist principle which says that the

interests of the majority supersede the interests of the individual. When it comes to vigorously prosecuting an individual who has betrayed the principles of party morality and broken the law, we come under the spell of a strange kind of "humanism": "What will become of him? We will ruin his life. After all, we are human beings." And before we know it we are damaging the collective, the party, and society in order to be "humane" toward an individual. We spare one, and we do injustice to tens, hundreds, thousands.

It is only an illusion that there is no more need these days for revolutionary severity and resolve. Because these are revolutionary times.

12605/12859

CSO: 2400/38

## WESTERN CULTURAL INFLUENCES DECRIED

Prague TRIBUNA in Czech 15 Oct 86 p 11

[Article by Jan Beran: "When Fashion (Uncritical) Reigns"]

[Excerpt] Capitalism draws into the general class struggle an increasing number of components of its system and turns them into combat means of manipulation. This has gradually also happened to many elements of culture, arts, sports, various individual and group interest activities, and fashion.

It was not for nothing that a member of the powerful Hollywood "Eight," F. Zanuck, proclaimed at the beginning of the 1960s that he considered American film to be the best tool in the struggle against Communism, that it is a weapon which political propagandists did not even dream of, and that only in the future would the United States appreciate what he was saying.

It was not for nothing that a member of the American delegation to the International Society for Education in Music, S. Fox, called for including rock music in the music education programs of schools at all levels because it is music which does not recognize frontiers and does not require visas or exit documents. Did he bring this up because music notes do not have a class origin and because rock music with its progressive content belongs particularly to the culture of young people even in socialist countries?

It was not for nothing that the Dassler brothers of the German Federal Republic tried to demonstrate that no sport (and not just top-level sport) can do without their competitive 3 stripes, 3 crowns (or trefoils), and pumas ready to leap.

It was not for nothing that the American journal THE NATION emphasized in an interview with a rightist Czechoslovak newspaperman in 1968 that in the CSSR "criminality may be on the rise," "the streets may no longer be safe," but, on the other hand, "people are freer and also ready to accept American ideals and life style."

It was not for nothing that the American "FREE EUROPE" lectured to this author that germanisms (americanisms or anglicisms) are in fact enriching the Czech language. It claimed that only through all those "vikendy" (weekends), hobby, "diskzokejove" (disk jockeys), "instanty," (instant coffee) "krekerky" (crackers), "mejkapy" (make up) or "dyzajny" (designs) does Czech acquire an international polish.

The problem of the influence of Western (primarily American) technology (consumer, industrial and military) deserves an individual study. From the spaced-out teenager ("Look, stupid, here is a hot rod") to the crowds obsessed with Tuzex "supervalues," such a study would not be, of course, very uplifting.

We are firm supporters of peaceful co-existence with countries that have a different social order. We faithfully fulfill the commitments which we accepted in Helsinki. We are in favor of international commerce, the exchange of all assets (material as well as spiritual), as long as it promotes cooperation, mutual awareness and understanding, and as long as it serves peace. We reject any attempts to misuse all this as pressure tactics in order to exact unequal terms.

Last but not least, we should not allow all this to serve as promotion or "sociological propaganda." I know that the onus is primarily on us, whether we can offer the public better general goods that are necessary for a contented existence, and better services, even though that is more complicated in a society which a priori guarantees all of its citizens protection against profound crises, want, and exploitation by others. Under no circumstances should we therefore allow a "flowering" of psychological operations or even ideological diversions designed to import an alien life style, distorting socialist values and conscience, or undermining and disrupting everything we have achieved during the years of socialist construction.

Such warnings are not--unfortunately--unwarranted.

The point is not to give an opportunity to the Messrs Zanucks of the "mass culture" who parade before us (in seemingly ideologically quite neutral, non-political and uninvolved films) "problems," people and plots which reek of individualism, egotism, private capitalistic or commercialized morality, luxury, and riches for only the few, violent crimes, cynicism, sexual promiscuity, lewdness, and the pre-eminence of the superman.

The point is not to give an opportunity to those gentlemen who would perhaps like to eliminate Beethoven, Brahms, Smetana or Janacek from the concert halls and promote the din of discotheques as the only esthetic need of young people.

The point is not to give an opportunity to the apish souls, who constantly put up their finger to test the winds for prevalent western trends and swoon with delight at the sight of fashionable consumer products of any kind.

The point is to take a more thorough look at who really benefits from the merchandise offered by the Dassler brothers and their competitors--whether it is the sport or the insatiable pockets of certain smart operators around the sport.

The point is not to give an opportunity to those who would like to sponge off communal as well as personal property, endanger the lives and health of their fellow citizens, and in accordance with the rapacious laws of capitalism and the "American life style" turn our streets into a jungle.

The point also is not to permit the Czech language to become a goulash of all the various fashionable snobbisms and cosmopolitanisms which have nothing to do with the spirit of the language or with class, political, and ideological reality.

To put it bluntly, much is at stake, more than is mentioned here, certainly more than just a conciliatory attitude and an acceptance of stereotypes which are supposed to seep into our heads.

12605/12859

CSO: 2400/37



## REASONS FOR NEW PARLIAMENT INTERPELLATION RULES PROBED

Budapest MAGYAR IFJUSAG in Hungarian 24 Oct 86 p 8

[Article by Laszlo Seregi: "The Parliament Does Not Have Private Affairs!"]

[Text] During the most recent session of the National Assembly the representatives discussed and accepted legislative proposals concerning the modification of the Parliament's rules of order. We talked with Dr Tamas Klement, chief of the secretariat at the National Assembly, about the background of this legislation and the new aspects of the deputies' work.

[Question] It is said that the parliamentary rules of order had to be changed because of certain unexpected events that took place during the spring session of the National Assembly. As it is well known, a cabinet minister and a secretary of state were overruled in quick succession. Is there a connection between these events? If not, why was the content of this document changed?

[Answer] Unlike you, I do not know who are the ones who circulate these kinds of views, but, needless to say, they may be wrong. The truth of the matter is something quite different. The previous leaders of the National Assembly have already decided on changing the rules of order during the early 1980s, with the aim of adjusting its text and content to recently altered circumstances. The plans were completed, and in late 1984 the winter session could have placed it on the agenda. However, the new general elections were approaching, and it was considered correct that the newly elected members of the Honorable House participate in the discussion of the new document. This is how we reached the summer of 1986, when the rules of order were actually modified. As for the instances of overruling: Why do you present them in such a way as if they were something entirely new in the recent history of Hungarian parliamentary life? This has certainly happened at other times, involving other people; it simply has not received as much publicity as the most recent cases. If I were you, I would reverse the question instead and would try to find out why this occurs so infrequently, why so few people have been overruled so far?

[Question] I am sure you have the suitable answer . . .

[Answer] Well, because the individuals queried are usually responsibly and thoroughly prepared; they even rely on the advice of experts in providing the

answers that are considered correct. Naturally, when the issues are more complicated, this may take time. After all, if the deputies take weeks to formulate their questions, then--to be fair--a minister should also have the right to take a few days before answering. And, just to clarify matters, I must add here that nothing could be farther from the ministers than to urge modification of the rules of order.

[Question] As an innovation, the President of the House has the power to call for closed sessions, even though the Honorable House does not discuss private affairs. How are we to reconcile these closed sessions with the efforts to achieve more democracy?

[Answer] The National Assembly does not, and cannot, have any private affairs; however, certain issues may arise which it may prefer to discuss behind closed doors. Just as an example, I can easily imagine that an interpellation from the floor can only be fully and correctly answered by touching on one of our state secrets. At times like this, a closed session must be held. The public will be subsequently informed about the answer given by the responsible individual, with the exception of the state secret involved. By the way, a closed session was held during the discussion of the changes in the rules of order, because the deputies were formulating rules concerning their own in-House activities. In other words, nothing was said that could not be publicly revealed; as a matter of fact, the text of the rules of order were subsequently published in an official publication.

[Question] Another innovation is that a distinction is made between interpellations and questions. Why was this necessary?

[Answer] The right to interpellate is an achievement of bourgeois parliamentary practice, and--since it is a positive achievement--it was adopted by the socialist parliaments as well. An interpellation has to have a certain weight, because it deals with a generally applicable issue, touching on the entire nation and the broadest layers of society, and in most cases it calls attention to illegal or unconstitutional practices. A question falls into the category of less serious affairs: it simply means that the deputy turns to the responsible individual for information. Thus, I am posing an interpellation when I ask: Why is there only one weekly publication for Hungary's youth, when this generation is far from unanimous?

[Question] Yes, that is a good question.

[Answer] You are wrong. That was not a question; that was an interpellation. A question would be if I were to ask, let us say, when will this interview appear in print?

[Question] From what I have been told, around the time of the autumn session. Is that an acceptable answer?

[Answer] Yes. You see, that is the gist of the matter.

[Question] Under the new system, deputies must submit their questions in writing, well in advance. How does this practice contribute to the desirable development of democracy?

[Answer] Do you know how much that "well in advance" is? Three days. Deputies may submit their questions to the President of the National Assembly three days prior to receiving an answer, and he in turn immediately forwards it to the responsible individual. That person has two or two and a half days to prepare an answer. He deserves that much time, because he cannot keep everything in his head. This does not mean that deputies have no opportunity to pose questions without waiting their turn. The new rules of order state this in the following manner: "In exceptional cases, any deputy may ask for the floor before the agenda of the day is begun."

[Question] You have convinced me. But why do deputies have to discuss their proposals in advance with the responsible parliamentary committee? To begin with, not every deputy is a member of a narrow legislative body. Second of all, a deputy wants to be responsible to his electorate, not to a committee. Don't you agree?

[Answer] If you are trying to intimate that anyone could prevent a deputy from expressing his concerns before the entire plenum, let me assure you that you are seriously mistaken. In any event, the parliamentary committees are not created to filter issues or gloss them over, but rather to discover new facts so that the proposed topic will be better understood and that its proposal becomes more complete with the addition of new factors and supplements. It is unfortunate that you are not better informed about this, but I do not blame you for this. The reports concerning the committee meetings are much more to blame for such a relative shortage of information. During these meetings, the atmosphere is quite tense. And still, what do the papers report the next day? Usually there are about ten or twenty lines concerning the 20-40-minute verbal explication made by the sponsor of the bill, followed by a few lines enumerating who else spoke on the topic. Nothing more. The reader will not know what the speakers said and what responses were made. Well, who is at fault? In any event, the work of the National Assembly is not limited to four times two days: The activity continues in the working committees and the county-level legislative groups. Why is this not reported?

[Question] In view of the fact that our lives have become more complicated and more and more local or group interests are being formulated, shouldn't the responsibility of the parliamentary committees be enlarged? For example, why isn't there a committee for youth affairs?

[Answer] When the circumstances call for them, new committees are formed. It was at the start of the present session that the committee for settlement development and environmental protection began its activity. I am certain, therefore, that a youth committee, proposed by you, will also be formed as soon as deputies take the required initiatives. It is my humble opinion, however, that this is not about to happen soon, because the National Youth and Sport Bureau was formed just a few months ago. In addition, to tell you the truth, for myself I would consider it more urgent to form a committee that

deals with the affairs of pensioners. But I wish to add that this is only my private opinion.

[Question] Why do we insist that the National Assembly meet four times a year?

[Answer] The four yearly sessions are not called for by law; they are merely traditional. The Constitution declares that the National Assembly must convene at least twice each year. In other words, a fifth session is not out of the question; this can be called on the initiative of the Presidential Council or by one-third of the deputies. In my opinion, it does not matter how many times the legislators of the country meet; the subject and nature of their decisions are much more important.

12588

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## SUPPRESSION OF HISTORIC FACTS CLAIMED DANGEROUS

Budapest MAGYAR IFJUSAG in Hungarian 17 Oct 86 p 35

[Comments by Andras Elias: "What Is History Good For?"]

[Text] In your September 5 issue you published a letter written by Dr Karoly Dekan dealing with the history of "our days," from a rather peculiar point of view.

For example, I realize that the collapse of the Portuguese colonial system and the armed struggle in the colonies have contributed to the explosion of the revolution that took place in Portugal. However, the writer of the letter presented this as if this was the only cause behind the events, and this is unbelievable. Relationships are not usually so simple, and only followers of the schematic-dogmatic school of history can claim the opposite. It is obvious, for example, that Hungary's defeat in the First World War brought on the 1918-1919 Hungarian revolutions, but it would be a mistake to deduce from this that the Hungarian Republic of Councils was declared by the victorious Entente powers.

Nor was Portugal liberated from Africa. Since Lisbon was not threatened by an "Angolan invasion," I think that the revolution was desired by the Portuguese people and certain of its elements. In other words, a revolutionary situation was allowed to develop--in place.

What made me more angry, however, was another statement made by the writer of the letter. He lectured his wife and us, the readers, on how Transylvania belongs to Romania. This is unnecessary: It is a fact that in 1986 the entire area of Transylvania is part of Romania. This is not debated nowadays. The opposite extreme is more characteristic of Hungarian "public opinion" and youth, thanks to the "history-teaching" of our schools: They are not even familiar with this issue! According to an earlier MAGYAR IFJUSAG article, 40 percent of today's young Hungarians have never even heard of the Trianon Peace Treaty. And the issue of territorial belonging is much less important than preserving the heritage of historical Hungary in the minds of today's young Hungarians. After all, if today's national borders are in fact unchangeable, then it is even more of an unchangeably closed fact that from the Conquest [of 896 AD] until 1918-1922 much of the territories in question did belong to Hungary. Moreover, during the years of the Second World War certain of these

regions again suffered the ravages of war under the stupid leadership of the Hungarian government. Thus, it was strange for me to peruse the history textbooks of the 1960s and 1970s, encountering one or two sentences about the Trianon Peace Treaty, and later reading several pages about the military invasions of Hungary's forces taking place in the territories of Czechoslovakia, Romania and Yugoslavia. In this manner, a Hungarian elementary or secondary school student who reads superficially may have received the impression that the Hungarian army occupied entirely new territories that had no Hungarian population. And, of course, the distinction is not without significance. In part due to the hundreds of thousands who fled to Hungary after Trianon, and the numerous relatives and friends who were living beyond the borders, Hungary's contemporary population considered it natural and understood these re-occupations. On the other hand, the ordering of Hungarian troops to traditional Russian territories, far from home, was much less acceptable to the thinking of contemporary Hungarians.

The real problem is that the shortage of information brings much shame to today's Hungarian citizens. They are unable to distinguish two such simple factors as citizenship and nationality. This problem is independent of the issue of borders, and it cannot be blamed on the policies of foreign governments. There has never been a case when a portion of the Hungarian people became so far removed from the rest of their co-nationals! The fact that a significant number of Hungary's citizens, primitive as they may be, do not even realize that others are in fact also Hungarians . . .--this is an unheard-of situation, even in our history.

Thus, in addition to being familiar with the present period, we must also learn about the Hungarian Middle Ages as well. From numerous examples, let me cite an identical experience I encountered in two of our neighboring countries: In certain regions pamphlets and tourist-guides alike claim that Hungarians arrived there during the 14th century. I know that Hungarian historians have another opinion concerning this, and the difference is approximately 400 years. Why is it, then, that our young tourists tend to take the word of the foreign guides, not being familiar with the position of our own historians?

Instead of teaching Hungarian history, let our teachers tell [stories] about it in accordance with the most recent research results! In that way, perhaps they would not forget to mention the "unimportant" 12th century, which 10-20 years ago used to be completely missing from the textbooks; perhaps kings Geza II and Bela III would not be missing from the national memory, and the centuries-long conflict between Hungary and Byzantium would no longer be undiscovered territory. (It should be noted here that an exciting book recently appeared in the stores about our unknown 12th century history.)

By now, if Hungarian children wish to become familiar with history on their own initiative, they can turn to the pages of the newspapers or periodicals such as the HISTORIA or the MAGYAR IFJUSAG. There are also good books being published on the subject.

But when will we have good textbooks?

To be sure, we must be informed of the massacre at Ujvidek [today's Novi Sad] or the crimes that Hungarians committed against Jews or ethnic Germans. But why is it taboo to mention the other extreme? It would be useful to read about the sufferings of Hungarians or about the recurring massacres of Hungarians as well. Only by reading the guidebook "Travels in Transylvania" does the Hungarian reader find out that the entire Hungarian population of towns and villages were massacred by Romanian or Saxon insurgents in 1848-1849. One wonders how many Hungarian victims could there have been. Or how many fell victim in the blood-baths organized by the Romanian Maniu Guards in late 1944? Was it ten people or five thousand? Unless we receive answers to these questions, we may witness the rise of exaggerated legends, which can be more damaging for the contemporary relationship of the two peoples, because the stifling of truth is always more harmful than the knowledge of even the most horrible reality.

Periods of tranquil, friendly coexistence are also unknown to the youth of contemporary Hungary. The Hungarian King Iaszlo I [the Saint] conquered Croatia during the late 11th century, and King Kalman [the Bookish] was crowned king of Croatia in 1102. From that time until 1918, the two countries had a common fate. It is regrettable, therefore, that we only seem to remember the armed conflicts that took place between us in 1848, even though this was the only time we fought each other. A fine example of Croatian-Hungarian friendship was the common struggle against the Ottoman Turks. And, even though the people of Croatia generally did not become Magyarized, it should be mentioned that several of our aristocratic national heroes are of Croatian origin: Let us think of the Zrinyis, the Frangepans or the Batthyany, several of whom gave their lives for the common cause. The very existence of today's Croatian people is proof that the medieval Hungarian state did not initially strive to assimilate other ethnic groups. The Croats were allowed to remain Croats for over 800 years, and Hungarians were only settled in a few towns.

After centuries of Habsburg rule, Hungary became an independent country in 1918. But at what price . . . Independence appeared so tragic at the time that we have never been inclined to make a national holiday out of the anniversary of that event! We prefer celebrating the March of 1848; even if the revolution failed, our loss was not as great as in 1918.

As for getting people to like history, it is regrettable that these historical facts do not encourage more of us to travel in Eastern Europe. The snobs of Hungary are only interested in visiting Paris; they would not even consider looking at Kolozsvár, Pozsony or Ungvár, even though--due to the region's relative distance from the Turkish wars--there are more medieval Hungarian fortresses in Slovakia than in Hungary. Why is there such little interest among us in the monuments of Hungarian history? Even if there were no longer any ethnic Hungarians living anywhere, it would behoove the Hungarians to be interested in the monuments of a history that the neighboring countries share with us.

It would not hurt to teach the basic facts of historical geography. Naturally, without insulting other nationalities. Although nowadays it is not the Hungarians who are likely to insult the national sentiments of others. . .

## VARKONYI FILM 'BITTER TRUTH' RELEASED AFTER 30 YEARS

Budapest NEPSZABADSAG in Hungarian 9 Oct 86 p 7

[Review of Zoltan Varkonyi's film "Bitter Truth" by Jozsef Veress]

[Text] Let us start with the unavoidable question: Why did we have to wait until 1986 to witness the rise of Zoltan Varkonyi's political drama from three decades of suspended animation? We do not know the concrete circumstances, but perhaps we are not too far from the truth if we suppose that whoever was in charge of the film's fate after its completion, considered its statement too bold, its lessons too controversial, and its tone too disturbing.

There were other instances in the intervening years when presenting the film was considered, but opposing factors (of political as well as aesthetic nature) always prevailed. It is easy to be smart in retrospect and play the role of the judge, but--regardless of what we think about the events taking place behind the scenes of film-making--we can agree on one thing: There is no reason to question the rehabilitation that took place recently. In any event, there appears to be too much foggy mysticism surrounding the films that occasionally remain in the can. Sometimes a kind of a legend is created around them, so their makers can wear a crown of thorns. Far be it from us to celebrate this necessary practice, but, for the sake of objectivity, we feel the need to point out that there may be times when ideological, artistic or thematic considerations justify a delay in premiering a film. Thus, we are not talking about a "socialist innovation," and we can illustrate this with American, French or Italian examples. And, of course, it is also obvious that sooner or later nearly every worthwhile film will have the opportunity to be judged by the public. A fresh item: The congress of Soviet film-makers issued a declaration, according to which a specific committee is to review those films whose wider distribution has been restricted. There will be films among these that would be scarcely worth bringing back to life. At the same time, it is due to this decision that the Hungarian public will soon have the opportunity to view German's moving war-time film, "Inspections on the Roads".

Zoltan Varkonyi summed up the central idea of "Bitter Truth" this way in the September 1, 1956 issue of the weekly SZINHÁZ ES MOZI: "This film is about people, people who live among us today, and about the story of a peculiar friendship. It also states: enough of the officially sponsored confusion, the lies; it is time for everyone to understand that we are adults, and we can and



must be told the truth! Even if the truth hurts, even if it is painful, even if it is bitter!" The idea is appealing and unassailable: The most modern interpretation cannot condemn its basic position. At the same time, it would be a mistake to forget the concrete social situation, the demands presented by the unity of content and form, and about the general lessons to be learned from the example. Let us see, then, what does "Bitter Truth" suggest to today's viewers?

The script of Endre Kovesi, Zoltan Varkonyi and Laszlo Nadasi focuses on a large construction project. The director of the project is Janos Sztanko, who was put into a leadership position by the socialist system. The Field Construction Enterprise is managed by this man with extraordinary self-confidence. Our first impression of him is that he is able to reconcile personal ambition with the common interest, but gradually he is beginning to slip. Using the classical tricks of office politics, he isolates his friend and assistant, the engineer Imre Palocz, who is accepted in spite of his checkered background. Sztanko's goals and methods become distorted, and he subordinates everything to his personal career. He ignores both the advice of the experts and the worrisome warnings of the workers. When it is revealed that the foundation of the huge silo is fatally flawed, Sztanko--spellbound by his career and the promise of a bonus--is even willing to risk catastrophic consequences. The tragedy is inevitable. The structure collapses and causes fatalities. But running this particular gauntlet continues. The unscrupulous director deflects responsibility to his engineer friend, who warned him in time. The contemporary review of the film offers a relatively simplistic interpretation, but it is worth citing, because in its own literal explication it emphasizes important elements of approach: "The closing frames of the film reveal the complete alienation and loneliness of Sztanko, and intimate that--perhaps not today, but tomorrow or the day after, for sure--people like Imre Palocz will receive their well-deserved recognition, and they will have the opportunity to apply their full creative powers, while men like Sztanko, the slave-driving careerist type, who likes to issue orders and causes immeasurable material and moral harm, will be swept away by the course of history. Long was the road, covered with mistakes, pain and disappointment, which led us to recognition of this bitter truth."

The process is somewhat more complex than this, but Varkonyi's film clearly states its approval and disapproval. Several scenes show that there was an intent to reveal reality in a more discerning way than was customary during the earlier schematic period, and the movement of the characters tends to follow the requirements of dialectics. At the same time, it is regrettable that the script (based on the actual events of the sensational Szlota-affair) bears the weight of cliché-ridden dramaturgy. The gestures are too pre-meditated, the declarations and the pathos of the dialogue are a little too theatrical, and the revelation of the multi-dimensional struggle is naive and one-dimensional for today's viewers. Did "Bitter Truth" collect a layer of dust during the years? Not at all. We still cannot claim that the Promised Land is here, but with the experience of another 30 years behind us, we may have a different approach to the responsibilities and perspectives of telling the truth, the program of implementing democratic publicity, and the basic principles of political morality manifested in actions as well as words.

The large staff of "Bitter Truth" strived to faithfully serve the conceptions of Varkonyi. The camera work of Barnabas Hegyi is without excess. The music composed by Ferenc Farkas is loaded with vibrant tension. Among the main characters, Ferenc Bessenyei, Vera Szemere, Miklos Gabor, Eva Ruttkai, Tibor Molnar, Imre Sinkovits and Gyorgy Kalman are especially outstanding.

In closing, we must mention the debt of recognition that must be recognized soon. Many people place Zoltan Varkonyi on the periphery of Hungarian film, and this is nothing less than a bitter injustice, because his life-work contains such pieces as the deeply humanistic and excitingly modern "The Birth of Simon Menyhert", "Dandin Gyorgy", which was judged to be a failure but even so contained elements of the avant-garde, and "Foto Haber", whose innovations enriched the genre of the detective film.

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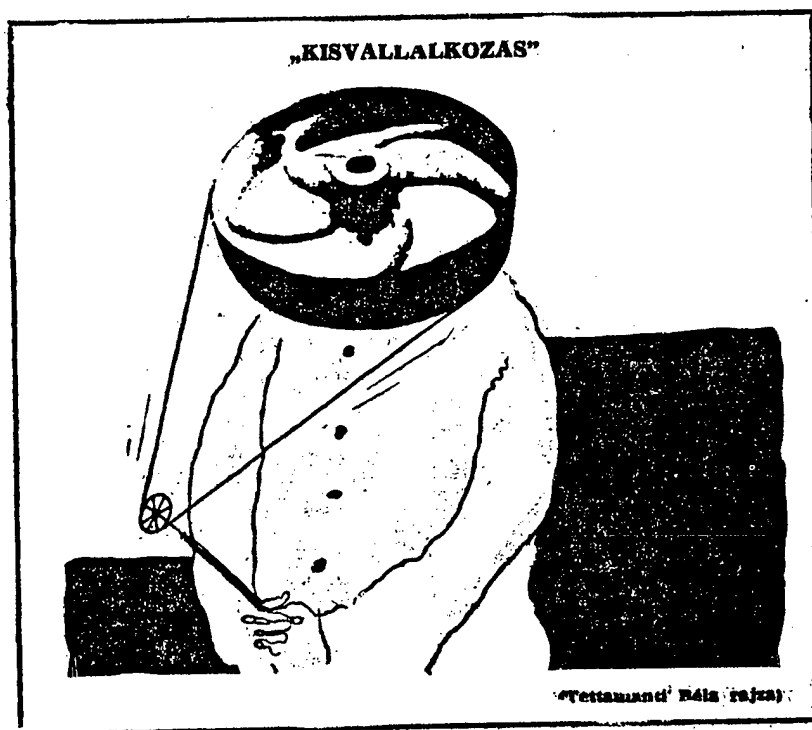
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## GRAPHIC DEPICTS ROLE OF PRIVATE ENTERPRISE IN SOCIETY

Budapest MAGYAR NEMZET in Hungarian 15 Nov 86 p 12

[Text]

## Private Enterprise



Editorial note: Society is the body which has as its head the large wheel (state economic sector). The hands of the body (certain members of society) turn the small wheel (private sector). The small wheel is not part of the body (private enterprise is not socially institutionalized). It is attached to the large wheel by a circular string that turns the head when it is turned by the hands. Thus, the private sector generates the state sector to turn and move.

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END